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ABSTRACT

On January 12, 1972, the Subcommittee resumed its hearings on the impact of agribusiness and agrigovernment on the welfare of the family farmer, the farm worker, and the rural community. Witnesses testified on such topics as: (1) problems of rural poverty; (2) some of the court litigation taking place in Fresno County; (3) the syndication of farmlands by conglomerates; (4) the quality of rural life, with particular emphasis on public policy and current developments related to the size and control of farm operations; (5) happenings in the area affected by the new water supply from the San Luis project; (6) the effect of marketing orders; (7) the California Land Conservation Act of 1965 (Williamson Act); (8) the economic development for campesinos; (9) the potential for a cooperative movement in rural California; and (10) strategies for change as seen by concerned persons in the public and private sector. Among the witnesses were: farmers, attorneys, real estate brokers, economists, journalists, community workers, and representatives from the National Farmers Organization, the California State Grange, and the Greater California Education Project. Additional information included: "California Migrant Services, 7-year Summary"; "Almond Growers Get Tax (Break?) Under New Depreciation Rules"; and "Land Buyers Need Protection" (an editorial from the Land Owners Journal, June 1971). (NQ)

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**FARMWORKERS IN RURAL AMERICA,
1971-1972**

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**HEARINGS
BEFORE THE
SUBCOMMITTEE ON MIGRATORY LABOR
OF THE
COMMITTEE ON
LABOR AND PUBLIC WELFARE
UNITED STATES SENATE
NINETY-SECOND CONGRESS
FIRST AND SECOND SESSIONS
ON
LAND OWNERSHIP, USE, AND DISTRIBUTION**

**JANUARY 12, 1972
FRESNO, CALIF.**

PART 3B

**U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION**



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(II)

FORMAT OF HEARINGS ON FARMWORKERS IN RURAL AMERICA

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Part 2: Who Owns the Land?.....	November 5, 1971.
Part 3: Land Ownership, Use, and Distribution:	
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F. Fresno.....	January 12, 1972.
C. San Francisco.....	January 13, 1972.
Part 4: Role of Land-Grant Colleges:	
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FARMWORKERS IN RURAL AMERICA, 1971-1972

(Land Ownership, Use, and Distribution)

WEDNESDAY, JANUARY 12, 1972

U.S. SENATE,
SUBCOMMITTEE ON MIGRATORY LABOR OF THE
COMMITTEE ON LABOR AND PUBLIC WELFARE.

Fresno, Calif.

The subcommittee met, pursuant to notice, at 9:30 a.m., in the Federal District Courtroom, fifth floor, Federal Building, 1130 O Street, Fresno, Calif., Hon. Adlai E. Stevenson III (chairman of the subcommittee) presiding.

Present: Senators Stevenson and Taft.

Committee staff members present: Boren Chertkov, majority counsel; Eugene Mittleman, minority counsel; Basil Condos, professional staff member; and, Julia Weatherman, staff member.

Senator STEVENSON. The meeting of the Senate Subcommittee on Migratory Labor will come to order.

This morning we resume our hearings on rural America, and specifically on the impact of agribusiness and agrigovernment on the welfare of the family farmer, the farm worker, and the rural community.

I am very pleased to have as our leadoff witness this morning a distinguished Member of Congress. He has served in the House of Representatives for over 15 years, and with great distinction has demonstrated during his career an enlightened concern for the welfare of the agriculture community. Our first witness is Congressman B. F. Sisk.

Mr. SISK. Thank you very much, Mr. Chairman. I do have a number of copies of my brief statement. If there is any need for additional copies they are available here.

Senator STEVENSON. Thank you.

STATEMENT OF HON. B. F. SISK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. SISK. Thank you, Mr. Chairman, for the opportunity to appear before your subcommittee. As a representative of the 16th District, I welcome you to California, to the San Joaquin Valley and especially this morning to Fresno.

I hope your stay here will be enjoyable and productive. It would be particularly helpful if your subcommittee could shed some light on the problems of rural poverty. It affects employer and employee alike. When we have solutions for improving the health of the agriculture economy, we will have the answer to adequate income for the farmworker to enable him to live in health and dignity.

(1195)

Agriculture today is at its lowest point since the depression of the 1930's. Parity in 1970 was 72 percent. Farm prices are low, crops are in surplus and farm costs are high. The family farmer, the bedrock of the farming economy, is in a huge economic squeeze.

I personally experienced one agricultural depression. It meant the uprooting of my family from our home in west Texas and migration to California. I have never regretted coming to live in the beautiful California Central Valley but I certainly regret the circumstances that made it necessary. And I pledge to myself to never see it happen again if there is anything that I might do to prevent it.

The American consumer is fortunate. He benefits by an agricultural sector that is active, innovative, industrious and efficient. He pays a lower percentage of his income for food than any other country in the world. The American farmer working as his own boss has produced an abundance never before known to the world.

Centralized planning practiced in some countries of the world has never produced with the efficiency of our system. Where highly integrated farming and growing has been tried in the United States it has resulted in the farmer becoming a virtual hired hand of the company he sells his product to. He is out of the decisionmaking process and sells only his labor and provides plant equipment.

The answer to improving farm income, in my opinion, lies not in further progress toward integration, at least for the family farmer, but for change in marketing methods.

The big barrier to fair farm income today is the lack of access by the farmer to the market. Where there were once five or six handlers or processors to buy his crop, today there are often only two or three, sometimes only one.

The farmer in too many cases must compromise his asking price or lose his entire crop because he has no negotiating position.

The national farm marketing and bargaining bill which I introduced in this Congress, is designed to give the farmer that negotiating power if he wants it. It gives him the same power enjoyed by organized labor and management in industry. Labor has achieved high wages in industry and management high profits.

Farm marketing and bargaining legislation will permit a farmer to organize with other producers in obtaining a fair price. A processor does not have to buy, but if he bargains with the producer organization he is bound by the terms of the negotiations.

I strongly urge individual members of this subcommittee to give organized marketing and bargaining legislation your strong support. It is the artery of life for the family farmer.

The right of the worker to bargain for a living wage and better working conditions is recognized in modern society. The farmworker in the United States, however, is excluded. He was exempted from the provisions of the National Labor Relations Act of 1935 which sets the terms and conditions under which workers can organize and bargain with management. This exclusion has meant the organization of farm labor outside the law, affording neither the worker, the farmer, nor the consumer the protections guaranteed under the National Labor Relations Act.

Last year with other colleagues, I introduced legislation, which would end this exemption and bring farm laborers in under the framework of law. By simply striking out the exemptions of farmworkers to the National Labor Relations Act, it would permit the farmworker to organize if he wants, choose his union and his labor leaders secretly. It would protect the farmer from unauthorized strikes or compensate him for unfair labor practices in time of emergency and assure the consumer of stable supplies of farm commodities.

Farm labor legislation is necessary for order, stability, and progress in the farm economy.

One of the most significant new factors in agriculture today is what is known as syndicate farming. I don't think it has any place in American agriculture and urge you to support my efforts and those of others in seeking amendments which would make syndicate farming unattractive as a tax loophole.

Under the concept of syndicate farming, individual landowners pool their land which is farmed collectively as a unit by a professional manager or operator. Syndicate farm landowners are usually high income earners in other fields who take immediate cash tax deductions for developing their land. They can then farm in competition with the family farmer and can later sell and take the appreciated land value in capital gains tax.

Syndicate farming is especially disadvantageous to the family farmer who is put in a weak competitive position. He pays the full fair share of taxes, competes in the same marketplace for the sale of his crops and has little chance to recoup on capital gains if he expects to remain in farming. Syndicate farming takes full advantage of every tax shelter, haven, and loophole in the law.

Congress has authorized studies by the Department of the Treasury and the Joint Committee on Internal Revenue Taxation aimed toward eliminating these tax shelters. Your subcommittee will be doing family farmers a great favor if it urges the early completion of these studies so legislation can be enacted to cut out these loopholes in time for the 1972 crop.

I strongly support the elimination of these tax loopholes for those who are not interested in farming as an efficient operation, and am sure there are individuals who have gained some extra capital who are interested in pursuing agriculture as an extra vocation. These people are only taking advantage of loopholes because they exist, and I am sure would not continue in the farming adventures without these extra benefits. Those who only want the extra tax writeoffs are the ones who must be eliminated. As an individual member of Congress I am pressing for the completion of these studies and any support from you would be most helpful.

I believe the three suggestions I have made will help assure the family farmer an adequate income for his labor and a fair profit on his investment. Farm marketing and bargaining legislation will put him in a position to market his product at fair value. Farm labor legislation will protect the farmworker and the farmer, and the elimination of tax shelters and loopholes for syndicates will remove unfair competition.

I thank you very much, Mr. Chairman.

Senator STEVENSON. Thank you very much, Congressman Sisk, for your helpful statement and also your warm welcome to this agricultural center of the United States.

Senator Taft, do you have any questions?

Senator TAFT. Thank you very much, Mr. Chairman.

Before asking any questions I would like to say that I am delighted to be able to attend these hearings and I congratulate the chairman on having set them up to explore these very difficult questions. Unfortunately I was unable to attend the hearings in San Francisco yesterday but I will attend the ones tomorrow. I will make a statement with regard to these hearings and I would like to ask the Senator that it be included at the beginning of my remarks today.

Senator STEVENSON. It will be entered in the record.

Senator TAFT. Thank you.

(The information referred to follows:)

PREPARED STATEMENT OF HON. ROBERT A. TAFT, JR., A U.S. SENATOR FROM
THE STATE OF OHIO

Mr. Chairman, I welcome the opportunity to take part in these hearings as I believe the plight of the Nation's migrant workers and the environment in which they work needs to be seriously and continuously examined.

I believe California provides an important part of the background to view many of the problems in this area, especially in relation to the role that corporate farming is to have in the future of America's agribusiness.

California, however, is not alone in facing broad changes in the agriculture regions of their state. In my own state of Ohio the size of farms is growing rapidly, and many new concepts have been introduced to modernize and replace the family farm. Included in these changes is a reconsideration of the role that the migrant worker is to play, whether he continues in his migrant status or otherwise.

I believe the Committee deliberations will be informative and useful in the examination of these problems and I thank Congressman Sisk for his welcome to northern California.

Senator TAFT. Thank you very much, Congressman, for your testimony and for your welcome to California. You have been one of the foremost leaders of the House for a long time. I have noted in the years which I have served the many difficult questions relating to farms. One particular problem that I know we have discussed from time to time has been the matter of limitation on subsidies.

Mr. SISK. That's right.

Senator TAFT. But I don't recall your having said anything this morning about limitation on subsidies and I would just like to ask you what effect you believe the current limitation that was enacted by Congress in the last session would have on the over-all situation and what the advisability might be of lowering the limitation or removing it entirely or changing it from the present \$55,000 figure.

Mr. SISK. Senator, we have had 1 year of experience under the \$55,000 limitation which, as you well remember, we finally agreed on in the last farm act. My own opinion is that it is working fairly successfully. I want to be very frank to state, this area where you are now today, this county and a couple of adjoining counties, one north and one south, are areas which are probably the most affected by the limitation. We have in the San Joaquin Valley a substantial number

of quite large farms. Very frankly, what has happened as a result of the limitation, is many smaller farmers who had very small allotments, have been afforded the opportunity to purchase allotments or to lease allotments and as a result the total acreage in cotton has remained about the same. Cotton is really the only item affected in our area because we are not large growers of grain or wheat. Payments have been, I would say, practically the same as they would have been otherwise. But the money has been divided up among a great many more people.

There are many small farmers who had small allotments who went out and leased or purchased to increase their own allotments up to a reasonably efficient cotton growing unit. So as far as I am personally concerned I think it is working very well. It has not saved money from a standpoint of an over-all reduction, in my opinion, because the acreage planted in California is very close to what it would have been otherwise.

Senator TAFT. Has there been, in your opinion, any corporate subterfuge on the part of large owners of the subsidies within the \$55,000 limitation by dividing up their holdings among various different holdings but insofar as the economic consequences or the profits that might come from farming, still having an overall unity of ownership?

Mr. SISK. There have been some charges. I am sure you are familiar with them, Senator. In one or two instances, there have been some things done that should not have been or have raised questions of ethics. Generally, I understand, in Fresno County and in Merced County which I have the honor to represent, the large owner who could not participate in the program because of the size of their operation, have simply gone out of the program entirely. They have either sold or leased their allotments to the smaller growers who could operate within the \$55,000 limit. The larger growers then have gone on their own and in general as individuals are drawing no subsidies at all. They, themselves, are outside the program totally and are not participating in any part of it. So I am not aware of any particular activities or manipulations that I would consider to be unethical or contrary to law.

Now I am sure there are those who disagree with the way the law is setup. They might prefer an even more strict law than Congress wrote. But based on the limitation Congress enacted I find no particular unethical or illegal practices in this immediate area.

Now, there have been some charges in connection with some of the other areas in the valley. I am not expert in them. There are investigations in progress looking into these practices. I hope those investigations will be completed soon and we will know more about where there have been unfair, unethical or even illegal things happening.

Senator TAFT. For those growers who have gone outside of the program as you say, who couldn't have stayed within the \$55,000 limitation, there hasn't been, I gather, a flooding of the market by these interests with cotton grown outside of the program that has had any major effect on the growers who are within the program?

Mr. SISK. So far as the cotton industry is concerned, no, Senator. We are in the tightest situation in connection with cotton that this

country has been in in 25 years. We are in very short supply. We can't even meet our own domestic needs. We have suspended P.L. 480 sales overseas, so we are in a rather severe situation in this country.

Now that is not true in corn and wheat and feed grains as you very well know from your area of the country. They have a tremendous oversupply due to a variety of reasons. It happens that yields dropped very severely in cotton. What would have happened had the yield stayed up. Let's say we had the same thing happened in cotton that has happened in corn, it could have been an entirely different picture. Here again I guess the Good Lord and nature sometimes step in and take care of things. As a result, we are in a very short supply as far as cotton is concerned.

Senator TART. Thank you very much.

I have three questions, and I will try to limit my remarks to that because I don't want to belabor these points.

On the three changes you suggested, I would like to ask you to comment on the fact, as I understand it, that the National Farm Marketing Bill really has a practical effect during periods of negotiation of preventing those other than the particular concern with whom the supplier is negotiating from negotiating with that supplier. In other words, this seems to me, and I have had a number of discussions since, which seem to confirm the fact that this is really a closed shop proposition. The processor who is negotiating may not negotiate with anyone other than the one concern at that particular time, and that specific time is the growing season or the period preliminary to the growing season; others are really effectively shut out. The individual farmer who may want to sell to the processor is individually shut out from negotiating with that party under the terms of the proposed act. Do you feel that this is true?

Mr. SISK. No; I do not, Senator. I would find myself in complete disagreement that there is a closed shop. As I interpret the bill, which I authored and sponsored along with some 100 members of the House, it is an open shop bill. Now, the Mondale bill which you do have on the Senate side and which I believe we have in the House now, is what I would call a closed shop. It is a much tougher bill and it goes a good deal further in specific requirements on agreements and terms and so on. We have attempted here to adopt a middle of the road approach. No one is forced to become a member of these farm bargaining associations. This is strictly the decision of the grower. The bill very clearly delineates the fact that the responsibility of the processor to bargain with a particular bargaining association only goes to that commodity and that part of the commodity that previously has been sold to the processor by an individual waiver.

In other words, say you have a bargaining association with a hundred farmers dealing in a given commodity, such as raisins. We have an active bargaining association here in raisins, so we have had a good deal of experience in the last several years. If only two members of that bargaining association had previous experience and previous dealing with "X" company, then actually the only obligation under this bill goes to the amount of that product previously sold by

those particular members of the association who had previous dealings with the processor. This in no sense prevents the processor from continuing to purchase from other farmers or other producers that he has previously purchased from. It does preclude him from giving to those outside the association a more favorable condition or a more favorable price. This to some extent takes a page from labor's book by preventing destruction of a labor union by management be permitted to go outside or go around the union. In essence this is the whole point of the bill.

Now I recognize, Senator, it is controversial, we aren't kidding about it. I think basically it is good for the American farmer. I think basically farmers themselves are in support of legislation. I well understand there is opposition. If you recall S. 109, it made legal the formation of bargaining associations on the part of the grower. It did not require the processor to bargain in good faith. To me the crux of this legislation is it does require the buyer, the purchaser of that agricultural commodity, to sit down and bargain in good faith. It doesn't force him to buy but it forces him at least to bargain in good faith. We feel, particularly those of us close to agriculture who have observed absolute refusal in some instances of companies, groups, processors to bargain or even talk to a bargaining association, this provision is necessary. We are trying to force the handlers at least to sit down at the table and talk to growers about terms of sale, prices, conditions and delivery dates, et cetera.

Senator TAFT. Do you not disagree with the action that they can't talk to anybody else while they are talking to this person?

Mr. SISK. I do not disagree with that because the establishment of the farm board, the National Agricultural Board which approves a grower organization prior to its formation as an association has to meet a certain amount of criteria including whether that bargaining association controls a substantial amount of the commodity, whether it is financially sound, whether it is truly representative of a bargaining group. Once it is recognized then the processor is required to bargain and bargain alone for that particular commodity in that area at that time. There is no question about it.

Senator TAFT. The difficulty I have with this question may not exist in California as it may in certain areas of Ohio where you have, for all practical purposes, only one big canning company operating in a particular area, as applied to that specific situation. I don't want to be argumentative about this aspect of the bargaining, but as applied to that particular situation a farmer who is not a member of the group in that particular area doesn't have anybody he can negotiate with to sell to at all. He is blocked from talking to the one and only purchaser he has.

Mr. SISK. There is no question, certainly, it was my intent and, I think, the intent of other authors I have talked to, permit any individual outside of the bargaining association to sell to the processor who normally bought the commodity, for example the canning company you mentioned. There was no attempt to preclude that.

Senator TAFT. No new man would be able to come into the field however. If a farmer has been growing corn and he wanted to shift to beets, he couldn't make the transition because he wouldn't have anybody to buy the beets.

Mr. SISK. Well, I can see circumstances where that probably would be true. Here again, I say frankly what we are trying to do is to give to the small farmer, because it is the small farmer's only opportunity to survive in this country today in the competitive situation he is in, the power to organize exactly as labor organized many years ago. If you do not require the buyer to sit down in good faith and bargain with him, then he has nothing.

I will agree with you that I want a grower organization to be open to the extent that no one is forced into it and it may well be that many amendments will have to be considered and I am sure will be.

Senator TAFT. As counsel has pointed out to me, your analogy of the National Labor Relations Act isn't quite complete because if there is an economic strike the employer can go out and hire other people to come in and work.

Mr. SISK. That is true, I recognize that.

Senator TAFT. And that would not be true here.

Mr. SISK. I think it would, Senator. Here again we get into matters of interpretation. As you know, we have just completed 3 weeks of hearing on the legislation. Our subcommittee, of which I am a member, is in the process of markup. I am sure a variety of amendments are going to be considered. In my opinion the employer should be permitted that, and to the extent that the legislation doesn't permit it, I am sure it will be amended. That is why I say I think some of our discussions are premature but I appreciate your raising these questions because there is a lot of interest nationally in the legislation.

Senator TAFT. There truly is a great deal of national interest in this legislation. Among farm groups with whom I have had a close relationship, I find for the first time some differences in our viewpoints.

Mr. SISK. I hope we can settle those differences, Senator, because all in the world I seek, and I think I speak also for farm organizations in support of this, is to try to give small farmers an opportunity to survive in this competitive world we live in today. And through organization, through joining together, to provide strength in numbers, frankly I think, lies the only possible chance of survival. At least that is the opinion of those in support of the legislation.

Senator TAFT. I have just a few other questions for you. On your reference to the National Labor Relations Act and in making it applicable to farm labor, are you referring to the 1947 act, which was the 1935 act as amended by the 1947 act?

Mr. SISK. The National Labor Relations Act?

Senator TAFT. Yes.

Mr. SISK. Yes.

Senator TAFT. Are you referring also or do you intend to have applicable the circumstances known as the secondary boycott provisions of the National Labor Relations Act?

Mr. SISK. Yes.

Senator TAFT. You mentioned syndicate farming and many of the things that you stated seemed to me to apply also to large, single

owner farming, or corporate farming. Did you mean to limit your comments to syndicate farming? Wouldn't it be true that the tax shelters that are being availed of by syndicate farming, at least some of those shelters, are also being availed of by corporate farming and by large corporate organizations?

Mr. SISK. To some extent, yes; I think that's true. However, we have observed some new wrinkles in connection with this business recently in California, Senator. I am not sure to what extent it is going on in other parts of the country. We have situations where land is being taken over by a large company, a company that is able financially to handle it. It is then being parceled out to a variety of owners at, an agreeable price, whatever it may be, to a variety of individuals who are permitted under existing tax laws to use agriculture as a tax haven. Those who are seeking a tax haven, either in 160 acre tracts, 100 acre tracts or 200 acres, or whatever it may be, make an agreement with the person who sold it to them, and he becomes a custom operator and operates the entire block as a single unit under a custom type farming arrangement. We actually have some of these promotions underway right here in the valley. We have one particular operation now that we class, more or less as syndicate farming as against corporate.

We talk about corporate farming. But there is nothing wrong with corporations. I mean three or four of us can join together and go out here and farm. Corporation farming is no more than partnership farming. In many cases it is a very small group. What I am referring to as syndicate farming is where they go the second step and really it becomes a syndicate, set up for the purpose of providing tax shelters for groups, professionals, for other people outside of farming who desire to purchase land and use it as a vehicle to reduce their tax; and secondly, after the land has been fully developed, then to take their capital gain if they desire to sell. It becomes a speculative venture. And it is causing us a great deal of concern here, Senator. This is the reason that I raise this issue. We want to look into it. We want to learn more about it.

Senator TAFT. I am sure Senator Stevenson and I would be happy to cooperate.

I might mention in passing, as you well realize, that initiative on the matter from a legislative point of view has to come from your side of the capital and particularly from the Ways and Means committee.

Mr. SISK. I agree with that, Senator. And we are working with proposals now before Ways and Means. We are hopeful they will see fit to do something about it. We have asked, secondly, to go ahead and push for a completion of a study that is actually in progress in this area.

Senator TAFT. Thank you very much.

Senator STEVENSON. Congressman, I think you are to be commended for introducing this legislation to strengthen the bargaining position of the farmer. I doubt very much if Senator Mondale or any other Senator knows exactly what the answer is, or is confident in having a perfect bill.

I would certainly hope that we can develop legislation that will strengthen the position of the farmer and enable him to get a better,

fairer price for the fruits of his labor. But one of the concerns of this subcommittee is that we may be approaching a day in this country when there won't be any bargaining because the processor and the farmer will be one and the same.

We have heard considerable testimony, not only in California but in prior hearings, about the invasion of rural America by the giant corporations and conglomerates. We have heard a lot about the corporate takeover of the land, although we have discovered that nobody in America knows who owns the land. We have discovered that in the State of Maine, to cite but one example, 12 corporations already own 52 percent of all of the land in that State.

I would like to talk to you about what we do about these developments, and whether they are healthy for our economy and our social institutions. You mentioned tax loss farming, and you probably know more about the discriminatory impact of tax loss farming than most legislators. We have also heard about the provision of cheap farm labor services for the corporations, about water policies, including nonenforcement of the 160 acre limitation; and about the services of land grant colleges for the rich and the powerful, the combinations, but not for the little fellow. We have heard about the inequities of crop subsidies, we have heard about the loopholes and nonenforcement of the immigration laws and a lot more. All of these issues are affecting and drastically changing rural America.

How do you feel about the nonenforcement of the 160 acre limitation?

Mr. Sisk. Well, I deplore nonenforcement of any of these laws. Reclamation, as you know, Senator, built the West. There is no question that we owe a great deal to the 1902 Reclamation Act. It has been one of the finest and one of the greatest assistances to the 13 Western States, now the 15 Western States. I think it would be most unfortunate if we permit the program to fall into disrepute because of alleged or actual violations. There are a lot of alleged violations, and, perhaps, some violations. The law is quite clear in connection with what can and cannot be done with lands developed under the Reclamation Laws.

Now we have some of the largest projects in the West in California. Some are right in this area. I was the principal author and sponsor back many years ago of one, the San Luis project. It is one you will probably hear about here if you haven't already. There are all kinds of charges about San Luis. We went through a battle at the time we got it authorized because of the large amount of excess lands within that project, a larger amount than in any project that I know of in the West where a reclamation project was authorized. We well recognize the problems we are facing. We still have many of those problems. It is required that landowners in the project receiving water sign a recordable contract. There is not a drop of water being delivered at the present time in the San Luis project without a recordable contract being signed. I am sure you are aware of the significance of that, so that in that sense there is no violation.

Now, the time is coming when there are going to be some problems by virtue of the fact we have some 400,000 or 500,000 acres of

excess land that owners will have to divest themselves of, that has to be sold to smaller owners. Yet we are involved in an area where we are concerned about what actually is an economically feasible farming unit. There are all kinds of ideas as to what a family farm is today.

Senator STEVENSON. The nature of the crop that the farmer is producing is an important factor, is it not?

Mr. SISK. That's right, it depends on what you grow. It depends on the kind of cropping pattern, the culture of the land, so that we are faced with some serious problems about anyone actually wanting to purchase this land. The land is up for sale today. As you know, the prices are set by the Bureau of Reclamation, not by the landowner, because the landowner cannot take any appreciated value because of the project. Those lands are now being offered for sale. They are not selling. They are not selling because at the present time the financing companies will not finance on terms that small farmers can afford to pay. We do have some serious problems, I am not depreciating that.

Senator STEVENSON. Let me go about it in a slightly different way. I noted a display in the hotel lobby here in Fresno this morning that said \$1 million of farm produce was shipped out of Fresno County every day. That sounds like a lot of money to me, a lot of farm products grown, processed, and shipped out of Fresno. There must be an awful lot of people making an awful lot of money here in Fresno County.

First, what would have been the daily value of the farm production in this county 10 years ago? How does that figure today compare with 10 years ago? Do you have a general idea?

Mr. SISK. No. This is completely off the top of my head, Senator, because I am not that expert in it. I would guess that the value of those commodities in 1962 would have been about the same as they are today. I would doubt there would be any serious difference and that of course is the problem. That is why farmers aren't making a lot of money, Senator. The facts are that these products, unfortunately, haven't gone up in price with the increased cost of producing them, the increased cost of machinery, the increase in taxes, as you very well know.

Senator STEVENSON. How about the increased cost of land? Have land values changed in the last 10 years in Fresno County?

Mr. SISK. Land values moved up rather rapidly in the early 1960's, they leveled out in about 1967 at a plateau and today have pretty much remained on that plateau. In fact, I guess land values are actually lower now than they were in 1966. There may have been some drop back but are generally holding at a plateau, at least as I understand it.

Senator STEVENSON. It would be harder as a young man or man of any age without much capital, I suppose, to buy up some land and get some equipment, and go into farming today than it was 10 years ago?

Mr. SISK. I am sorry, I didn't get the first part of your question.

Senator STEVENSON. It would be harder?

Mr. SISK. It is almost impossible. At today's interest rates it is almost impossible for the young man coming out of our agricultural

school here or the university to go into farming. Many would like to do it, buy a piece of land and go into farming. This is the challenge I have, and it is what I am concerned about, making it possible for these young couples to go out here and farm, because they want to do it.

Senator STEVENSON. Land is going up in value despite the fact that farm income has stayed level over that 10-year period. Does that have something to do with the advent of the vertical and the horizontal corporate combinations in agriculture here?

Mr. SISK. Well, I think it is a combination of two things. We saw, going back 10, 12, 15 years, a movement of people. Big contractors from Los Angeles or space program people or professionals, whether they were doctors, lawyers or what, were earning a great deal of money, needed to get this money invested, and we saw a great movement in the valley to purchase land in great amounts. Frankly, this was by people other than farmers, and to a large extent I feel this attributed to the increase in prices of land more than almost any single factor in the last 10 or 15 years.

Senator STEVENSON. Even the land here, the farming land here?

Mr. SISK. That's right, there is no question.

Senator STEVENSON. Unless Senator Taft has some questions, I would like to thank you once again very much, Congressman Sisk, for your help this morning and again for the very warm welcome to your fine congressional district of Fresno.

Mr. SISK. Thank you, gentlemen, and I hope you have a happy stay here.

Senator STEVENSON. Our next witness is Mr. Allan Grant of the California Farm Bureau. Is Mr. Grant here?

(No response.)

Senator STEVENSON. We will come back to Mr. Grant when and if he appears and proceed with the schedule of witnesses. We had hoped to hear from Mr. Howard Marguleas, President of Heggblade-Marguleas Tenneco. I understand that he will not be able to appear this morning. He has, however, indicated that he will appear before our subcommittee at its hearings in Washington, and I hope indeed that such an appearance can be arranged.

This subcommittee's invitations to representatives of agribusiness have for the most part, gone unaccepted, with the exception of Mr. Marguleas. (A communication subsequently received from Mr. Marguleas appears on page 1554 of this volume.)

Our next witness is Mr. William Irwin and those accompanying him on a panel.

I want to thank you, Mr. Irwin, as I am sure this audience knows you are a prominent attorney in Fresno very much involved with life in rural America. Would you start out by identifying your panelists for our record?

Mr. IRWIN. Yes; I will be glad to, Senator.

Mr. John Garabedian of Peters & Garabedian is on my far right. Mr. Sam Lipoma of the S. L. Lipoma Co. in Delano, is next to me.

Mr. Garabedian is from Fresno.

This is Peter Divizich, a Delano grape farmer, on my left.

Mr. Tony Bianco, a grapegrower in Fresno, Calif., is on my far left.

STATEMENT OF WILLIAM IRWIN, ATTORNEY, FRESNO, CALIF.

Mr. IRWIN. I have been asked to give a brief outline of some of the litigation that we are presently involved in in Fresno County. My law firm has taken on the case of Peter Divizich versus the Bank of American and Heggblade-Marguleas. I don't intend to take the time of these witnesses, but I think it might be significant to you if I set the platform of the litigation.

This was a damage action in Fresno County. The ranch was a table grape ranch that was founded by Peter Divizich some 40 years ago. He was a Yugoslav immigrant that came to this country and was able by his own efforts to build a 5,000-acre table grape vineyard which is probably the single biggest table grape vineyard in the world. He had a relationship with the Bank of America which lasted probably over a 30-year period. It was a successful one. He encountered some difficulty in 1963 as a result of inclement weather and he suffered some losses.

In 1966, he employed the firm of Heggblade-Marguleas to market his fruit. He suffered a loss in that year of in excess of a \$1,450,000.

Senator STEVENSON. Was Heggblade-Marguleas then a part of Tenneco?

Mr. IRWIN. No; they were not.

Senator STEVENSON. At what point did that occur?

Mr. IRWIN. In 1970, February of 1970. And I will outline that further in my statement so that will come into proper position for you.

Mr. Divizich felt that there was improper marketing practices in 1965 on the part of Marguleas so he discharged Marguleas, and in 1966 the bank then decided that in lieu of foreclosing the property they would assume the risk of management of this property, which they did undertake. They required Mr. Divizich to employ Heggblade-Marguleas again to market the fruit despite the fact he had discharged them in the year 1965. Peter turned the ranch over to the group, the Bank of America and Heggblade-Marguleas, and they undertook the management of the property.

At that time you will bear in mind that this 5,000-acre piece of property was divided into two significant units, a 2,600 acre reclamation piece and about a 2,400 acre piece of property that was not in the reclamation area. The Bureau of Reclamation appraised this property at somewhere in excess of \$4 million. Peter's gross debt at that time

to the bank was approximately \$6 million, his debt was approximately \$4½ million when the accounts receivable and revolving funds and other collateral were taken into account.

The bank then undertook the management of the property and under the marketing program there was a reported loss of \$2,033,000 on the Federal income tax return for Peter Divizich in the year 1966. This created such a loss for him that it forced him into a personal bankruptcy in 1967, bankruptcy that he could not recover from.

He was given \$8 million in promissory notes over a 26-month period beginning in November 1965 and ending in January 1968, when the Bank of America finally foreclosed on the property. As I said, the debt at that time in 1966 when the bank took over was approximately \$4½ million and at the time of foreclosure the gross debt was in excess of \$9 million. The bank then foreclosed on the property and they foreclosed by bidding the property in at \$5,800,000. They then turned around and sold this property to the Marguleas family and to Tenneco-West, which was formerly Kern County Land. Kern County Land was acquired in 1967 by Tenneco, and in February of 1970 Heggblade-Marguleas was acquired by Tenneco. The sale took place to the Marguleas family in 20 undivided interests that comprised approximately 2,600 acres of the reclamation land. The other 2,400 approximate acres was acquired by Tenneco-West, which was formerly Kern County Land.

The interesting part in the litigation was the fact that not only was the property sold to the Tenneco family for \$5,750,000 but there was a forgiveness of interest for 3 years which amounted to approximately a million dollars. The down payment was required to be only in the amount of \$250,000 for a 3-year period and the balance paid out over a 17-year period.

The other interesting aspects of the litigation or some of the lessons that we learned from it was the marketing processes were put into focus together with the lending policy of the bank. It is customary in the marketing process throughout the country that, for example, an f.o.b. \$3.50. Delano price to a lawyer means freight on board and when it gets to New York the grower gets paid \$3.50 and if there is any risk to that crop in transit it is on the buyer. But it seems that is not the case in the marketing custom in this country. That \$3.50 price doesn't mean \$3.50 f.o.b. Delano. It is covered up in a variety of fashions by what they call price arrival, deferred billing or protection against decline. What we learned is that when that fruit gets to new York, if there is a \$2.50 market 5 days later on arrival the commission merchant or the broker delivers that product at \$2.50 and protects the buyer at the grower's expense. We never

found a sale that on arrival if it was \$5 that the grower got the \$5 price. The customer or the buyer always got the \$3.50 price.

Also put into focus were some of the lending policies of the bank. We are interested in a policy that would put out money for a long-term purpose on a demand note and then call the note. We were also interested in the policy that would cause money to be advanced when they know the borrower cannot repay it, and in our belief we felt the bank became a party to that carryover and, if you will, a partner in the venture.

Some other interesting aspects of the litigation were that during the course of the litigation we did file an antitrust suit against the Bank of America which we intend to pursue, and against Heggblade-Marguleas and against the Tenneco family. We believe that there have been violations of the Sherman and Clayton and Federal Trade Commission Acts. In reading through the antitrust laws it seems apparent that what Congress does really intend is freedom of sellers rather than a cartel or a protection for the buyers. And we think that what we have learned from our litigation is that we are cultivating a buyer's market and it seems that if you take a corporate giant, for example, like Tenneco, and if they own the source of supply and they own the marketing outlet and they own the packinghouse, they are using their bigness to gain an unfair competitive advantage on the California growers.

For example, if you have one car full of tomatoes and you are one grower and you have alongside of that 20 cars full of tomatoes and you happen to be Tenneco, you can understand the competitive advantage that Tenneco might have. They own the land upon which the tomatoes are grown and the containers into which they put the tomatoes. They can spray with their own insecticide, fertilize with their own fertilizer and they actually own the marketing arm, so they can sell those tomatoes at whatever price they want. They can use those tomatoes as loss leaders, thus affecting sales of their corn, potatoes, oranges and the rest of their product. And that fellow that owns that ore carload of tomatoes is completely at their mercy and we don't think that is what the antitrust laws are all about.

In essence, what it will lead to, in our opinion, if it is not checked, is that California will become a land of tenant farmers and we will all be buying at the company store. I think that bigness is being used to create an unfair competitive advantage, not that bigness is bad in itself, but we feel that it is when it is used in this regard.

Senator STEVENSON. Thank you Mr. Irwin. I note that you have a prepared statement, which I order printed at this point in the record.

(The information referred to follows:)

STATEMENT OF
WILLIAM P. IRWIN

The law firm of Irwin and Thuesen, in association with George N. Zenovich, represented Peter J. Divizich and the P. J. Divizich Fruit Corporation in a law suit for damages against the Bank of America, Heggblade-Marguleas Company, Angelo Papagni and John Thomas in action number 132216, in the Fresno County Superior Court.

In lieu of an immediate foreclosure, the Bank of America elected at its risk, on February 28, 1966, to assume management responsibility for the approximate 5,000 acre table and wine grape property of Peter Divizich. Peter Divizich contended that the Bank of America forced upon him, under duress and the fear of losing his ranch through foreclosure, a management team consisting of Angelo Papagni, who acted as an agent of the Bank of America, and John Thomas, a vice president of Heggblade-Marguleas Company. Peter Divizich had previously in October, 1965, discharged Heggblade-Marguleas Company and John Thomas as his marketing agent for alleged poor marketing practices, which resulted in an approximate loss to him of \$1,453,000 in the year 1965. Despite this fact, the Bank of America required Peter Divizich, by contract dated February 28, 1966, to employ Heggblade-Marguleas and John Thomas to sell his crop in the year 1966.

After suffering further heavy losses in 1966, amounting

to \$2,033,000, according to the United States income tax return for that year for the Divizich operation, P. J. Divizich and his corporation were forced into a Chapter XI bankruptcy proceeding in January, 1967.

After the Bank of America presented to Peter Divizich and his corporation approximately \$8 million in promissory notes over a 26-month period from November, 1965 to January, 1968, the Divizich debt to the Bank of America increased from an approximate \$6 million gross debt in February, 1966. The net debt involved when the Bank of America took over in February, 1966 was approximately \$4,500,000 as a result of the assignment of collateral to the Bank of America for further security consisting of inventories, revolving funds and accounts receivable. The total Divizich debt then increased under the Bank management to an amount in excess of \$9 million at which time the Bank of America foreclosed on the property on January 9, 1968, bidding in the property at \$5,800,000. The Bank of America then turned around and sold the property back to the very people Divizich claimed were responsible for the poor management of his properties and the improper marketing of his fruit.

The property was deeded out from the Bank of America on December 29, 1970 to Tenneco-West, Inc., who had previously, in February, 1970, acquired Heggblade-Marguleas Company. Tenneco-West received 2,400 acres with the Bank of America financing the acquisition by taking back a trust deed in the amount of \$2,101,188.05. The balance of the property consisted of

approximately 2,600 acres and was deeded out on December 29, 1970, by the Bank of America in 20 undivided interests, consisting of 18 units comprising all of the lands subject to the Bureau of Reclamation recordable contracts. Again, the Bank of America financed this acquisition by taking back a trust deed on the property in the amount of \$2,655,623.61.

Testimony at the trial disclosed the property was acquired from the Bank of America below the \$5,800,000 price bid in by the Bank of America at the foreclosure proceedings, and substantially below the Bureau of Reclamation appraisal made in February, 1966, the month the Bank of America took over the management of the property. The Bureau of Reclamation appraised the 2,300 acres of reclamation property in excess of \$4 million in February, 1966. This value did not include the 160 acres in Section 2 of the reclamation land which had a fair market value of \$288,000, all of which produced a total fair market value on all of the Divizich reclamation property in excess of \$4,300,000.

The Bank of America delivered the 5,000 acre property to Tenneco-West and the Marguleas interests for \$5,750,000, subject to a forgiveness of three years interest at 7-1/2 percent on the unpaid principal resulting in a total forgiveness in interest of approximately \$1,181,250, which effectively lowered the net acquisition price to approximately \$4,568,750. The cash down payment was only \$250,000, with \$250,000 for each of three years and the balance of \$4,750,000 in 17 equal annual payments

commencing with the fourth year.

It is interesting to note that while the 2,600 acres of reclamation property was valued in excess of \$4,300,000 by the Bureau of Reclamation, that nevertheless the 2,600 acres of reclamation land sold to the Marguleas interests at a price of only \$3,013,000, or approximately \$1 million under the Bureau of Reclamation appraisal.

It is equally interesting to note that Mr. Camp of the S. A. Camp Ginning Co. testified that he had made the offer to the Bank of America to purchase the Divizich properties in conjunction with the Heggblade-Marguleas Company on the same terms as outlined above. This offer was contained in a letter of intent dated August 29, 1969, signed by both Mr. Camp and Heggblade-Marguleas Company. The Bank of America took the position in the trial that this was a binding contract on the Bank. The Bank was interested in taking this position since the evidence disclosed that a more favorable offer of purchase was given the Bank in 1970 by John Boretta of Buttes Oil & Gas Co. This offer was in the amount of \$6 million with no interest forgiveness provision and provided for \$1 million as a down payment and not \$250,000. The offer of Mr. Boretta also included 800 acres free and clear to P. J. Divizich. The Boretta offer was rejected by the Bank of America. The Bank took the position that it was bound to deliver the property to Tenneco-West and the Marguleas interests. The enlightening bit of testimony from Mr. Camp was, however, to the effect that he was paid

\$500,000 cash for his signature to clear the way for the acquisition by Tenneco and the Marguleas interests.

The jury returned a verdict on December 17, 1971, in favor of the P. J. Divizich Fruit Corporation for the sum of \$400,000, finding the Bank of America and Angelo Papagni guilty of mismanagement of the farm properties and assessed damages against them in the amount of \$200,000. The jury then found Heggblade-Marguleas Company and John Thomas guilty of improper marketing and assessed damages against them in the amount of \$200,000.

It seems clear to the writer that one of the target defendants in this litigation should have been the Bureau of Reclamation, which would have put in sharp focus the equity and validity of the "160 acre limitation law". It was the policy of the Bureau of Reclamation and its enforcement of the "160 acre limitation law" that precipitated the trouble for P. J. Divizich. By the year 1957, Divizich had expanded his farming operations with his own money and with loan funds from the Bank of America to a total farming operation in the Delano-Ducor area, consisting of approximately 2,300 acres, comprising 1,700 acres planted to vineyard and 600 acres in open land, together with a packing house and cold storage facility to service Divizich's total farming operations. The entire 2,300 acre holding at this time was subject to U. S. Bureau of Reclamation "recordable contracts" under the provisions of the "160 acre limitation law" which contracts required the Divizich corporation to sell all of its ranch properties, subject

to the recordable contracts, in units of 160 acres or less within a 10 year period from execution of the various contracts involved, in exchange for receiving project water benefits from the Central Valley Project of the U. S. Government in the Delano-Earlimart Irrigation District.

Divizich was told on numerous occasions by representatives of the Bureau of Reclamation in 1957 that he would be compelled to sell substantial acreage under the recordable contracts which would amount to over one half of his acreage in the year 1962, the year when a portion of the recordable contracts expired, with the balance expiring on lesser acreage each year thereafter through 1971. In direct response to this concern regarding the loss of substantially all of Divizich's vineyards and open lands which would leave Divizich with an expensive cold storage and packing house facility at Ducor, California, without the necessary income from his vineyard lands to service the operation, Divizich then embarked upon a land acquisition program with Divizich's money and with the use of Bank of America financing, to replace the vineyards which he would be compelled to sell under the Bureau of Reclamation's recordable contracts. Divizich desired to obtain ownership of other lands which would develop into vineyards commensurate in size and quality to those subject to sale so that Divizich would be in a position to continue to operate farming properties of comparable size to his existing total farming operation.

As a direct result of this policy of forcing a sale of the property on the market, Divizich was forced to put his

entire 2,600 acres of reclamation property on the market at a time when the 4,500 acre DiGeorgio table and wine grape properties were also forced on the market by order of the Bureau of Reclamation. Since there were no initial buyers for the DiGeorgio properties which were first offered in 1964, it is not unreasonable to assume that Divizich would find the same market resistance for his properties. As a matter of fact, the last of the DiGeorgio properties were finally sold in 1971.

In spite of the efforts of Divizich to market the properties under the rules and regulations of the "160 acre limitation law" requiring a sale of 160 acres to one person or 320 to a husband and wife, the Bureau permitted corporate giants to cut up the property in 20 undivided interests to the individual members of the Marguleas and Thomas families. Many of these buyers consisted of women and minor children totally unfamiliar with and incapable of carrying on a farming operation. If the 160 acre law is to remain on the books, then let it be enforced properly and let us require the Bureau of Reclamation to purchase the land under its recordable contracts at not less than its appraised prices in the event the land cannot be sold, rather than forcing farmers into a bankruptcy proceeding triggered by foreclosures from nervous banks, anxious to realize on their security without regard for their customers' economic well-being.

If the 160 acre law is to be used by corporate giants as a means to obtain federal water by fractionalizing undivided interests in land then let us erase the law from the books.

Respectfully submitted

William P. Irwin,
Attorney for Peter J. Divizich

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Mr. IRWIN. Now I have Mr. Divizich present with me. He has given a statement to you and he will be glad to answer whatever questions you feel are appropriate.

Senator STEVENSON. First let me say that your statement, Mr. Divizich, will be entered in the record.

Are there any other statements for the record by any other witnesses?

Mr. IRWIN. Mr. Garabedian of Peters & Garabedian has given you a statement as well as Mr. Lipoma.

Senator STEVENSON. Would you gentlemen like to add anything to what Mr. Irwin has said before we get into some questions? Would you care to add to his testimony by summarizing your written statement?

STATEMENT OF S. P. LIPOMA, OF S. P. LIPOMA CO.

Mr. LIPOMA. I have a personal observation, Senator. I feel that the counselor neglected to bring up one of our main complaints as to competition, and that is the fact that they can work with oil money and work that in direct competition with some of us that are compelled to depend wholly on the value of our crops, and we have found in our particular case where this has been done. They have actually sold below the cost of production in direct competition with us.

Senator STEVENSON. Is this the result of a deliberate effort to depress prices and force losses upon you which might in turn force you out of business?

Mr. LIPOMA. Senator, in our particular case it was in order to gain a foothold in this particular marketplace.

Senator STEVENSON. Which particular marketplace was that?

Mr. LIPOMA. Our company, of which I am one of the principals, specializes in growing processing potatoes. I would say in the district we are the largest shipper of processing potatoes. They are a particular type of potatoes used for the manufacture of potato chips or french fried potatoes.

Since the advent of Tenneco getting into the picture, they had indicated a keen interest of wanting to get into the business and when they found that they couldn't sell at a competitive price they sold, in some cases, at a third less than what we were selling for and I am sure below the cost of production.

Senator STEVENSON. Are your potatoes by any chance in competition with potatoes produced in the State of Maine?

Mr. LIPOMA. Senator, at different times of the year. Our potatoes are shipped from California during the months May, June and July, and at that time hopefully the old crop is gone and the trade is looking for the new crop, and they will pay the additional freight, but I wouldn't say that we were in direct competition with Maine because as a general rule Maine is practically through shipping when we start.

Senator STEVENSON. I have been told that in Maine, which is of course a potato producing state and has many other resources, 12 corporations now own 52 percent of all of the land. It seems to be a pattern emerging everywhere. What the reasons are for it I don't

know. Maybe what you have just said is one of the causes of this pattern which is apparently emerging throughout the country. Thank you, Mr. Lipoma.

(Information supplied by Mr. Lipoma follows:)

NOVEMBER 4, 1970.

FEDERAL TRADE COMMISSION,
Washington, D.C.

(Attention: Mr. Joseph Martin, Jr., General Counsel).

MR. MARTIN: Our company pioneered the concept of selling processing potatoes on pre-season contracts to processors, mostly potato chip companies. We started this business in 1963 and at the present time grow and ship approximately 500,000 hundredweight of processing potatoes from Kern County, California during the months of May, June and July.

Our processing potatoes are grown on about 1,800 acres of land. The terms of our contractual arrangements with land owners are, our company furnishes the seed, fertilizer and insecticides, does the planting, harvesting, grading and shipping and selling. The land owner prepares the land for our planting, does the watering and cultivation. In the form of land rent, the land owner receives a stipulated amount for each hundredweight of potatoes grown and sold from his acreage.

Heretofore, our arrangement has proved highly advantageous, giving the land owner a guaranteed income and has allowed our company to enjoy a steady, moderate income. Since the prices we sell our potatoes for are predetermined, the profit factor is wholly dependent upon our automated efficiency and the per acre tonnage. With increased costs, the profit factor has become more and more precarious. For ten years we have been farming some of our potatoes under the above arrangements on Kern County Land Company land (now Tenneco). For the past five years we have paid Tenneco in excess of \$200,000 annually for their land use.

Our contractual arrangement with Kern County Land has permitted Tenneco access to our books and records, including the names of our customers and the prices our potatoes are sold for. We assumed that this information was made available to them strictly for auditing purposes and for which use it was put until this year.

Until this year we signed our land contract with Tenneco in October or November. This year the Tenneco Company requested that we meet in July which was actually during the time we were still harvesting potatoes from their lands. At the meeting, they told us they were highly satisfied with our past performance and for corporate reasons they wanted us to sign our land contract at that time. During those same conferences, held in July, they requested that we move our packing facilities from Delano to their property located in Bakersfield. They also requested, and were almost insistent that we plant all of our potatoes on their land and forego other land owners we have done business with for years. They told us that because of the cotton situation they must find utilization for their land.

In the conferences they indicated a keen interest in purchasing our entire operation. They requested that they obtain a more detailed breakdown of our assets, list of customers, prices, etc. All of this information was furnished at their insistence on the assumption that they were making an honest effort to negotiate a joint venture arrangement.

As a further matter of information, they were quite insistent that they be allowed to handle, on a brokerage arrangement, the sale of our citrus. They had handled some of our citrus this past season and the prices we received were not comparable with the prices we received from other outlets. We could not acquiesce to this stipulation.

At the time we signed the contract to utilize 1,268 acres of their land for our 1971 potato crop, we mentioned that we could not afford to pay them the rent stipulated in the contract if someone particularly their company, would sell processing potatoes at lower than our present contract price. In that conference we told them that we were going to ask our customers for an increase in price to offset our own increased production costs. Shortly thereafter, they made personal calls at our office expressing a continued interest in either purchasing our operation or proceeding on a joint venture arrangement. Mr.

Balch, and Mr. John Thomas, vice-presidents of the company, told us that there was no need to look elsewhere for acreage since they were confident that we would proceed jointly.

During August principals of Tenneco contacted our accounts of long standing and solicited their business at lower than the contract price we had been selling for. They were successful in obtaining one of our largest accounts, at least in part because of the lower selling price. The selling price is far below our production costs considering the guaranteed rental we must pay Tenneco.

We have every reason to believe that their selling price will be below their own growing costs with no consideration for land rental.

Upon being advised by our customers that they were soliciting business at lower prices, we wrote two registered letters to the principals of Tenneco with whom we were dealing, advising them of their oral commitment not to sell at lower prices and requesting that we be released from our land contract signed with Tenneco in July.

We had received no response to our registered correspondence, copies enclosed. In a phone call to Mr. Balch last week, he told me that they expected us to live up to the contract in full. He completely disregarded our verbal understanding. He further stated that they wanted to handle our citrus on a commission basis and they were going to get into the processing potato business on their own, regardless of who they hurt.

We are of the opinion that they have used privileged contractual arrangements and information to their personal advantage. We are sure that they have deceived us and their intent was not to purchase or enter into a joint arrangement but to obtain their information furnished in good faith for personal gain.

We are requesting whatever help your good offices can offer. To meet the lower than growing costs prices being quoted and accepted by Tenneco makes our present land contract with Tenneco untenable and could very well bankrupt our small company. Any help we can obtain will be appreciated.

Yours truly,

S. P. LIPOMA,
S. P. Lipoma Co.

Senator STEVENSON. Mr. Bianco and Mr. Divizich, would you care to add anything?

Mr. DIVIZICH. Yes.

STATEMENT OF PETER J. DIVIZICH, GRAPE FARMER, SAN JOAQUIN VALLEY

Mr. DIVIZICH. I came to the United States on 1920, that was 51 years ago. I worked for other farmers, on a ranch down South, and after 4 years I went to Porterville and bought me 30 acres which I started farming in this valley. I started progressing and bought more land, built a dehydrating plant, was dehydrating raisins, prunes, peaches, apricots, and so on, and I was in the farming business since then. Between 1930 and 1935 I bought some 300 acres around Porterville which I developed. From 1935 to 1939 I also built more commercial property in Porterville.

I went to the Delano-Ducor district South of Porterville in 1939 when that country was practically tumbleweed country. I started there with 160 acres and built this farm up to over a 5,000 acre ranch. I was financing with the First National Bank, and also Production Credit Association, and then since 1940 with the Bank of America so that I was doing fairly well. The Bank of America officials asked me to come over and work with them, they said they would give me a large amount of help because that country was almost desert. And so I went with the Bank of American in 1940

and I started on the land there. That area proved to be one of the best table grape areas in all of California. I had developed over 4,000 acres of grapes. I was doing pretty well up to 1963. I built a large cold storage plant and shipped between 700,000 or 800,000 to 1 million boxes of grapes annually and I shipped throughout all of the United States and Canada. I also started exporting to United Kingdom, Sweden, Norway, and some to Denmark and Finland, the Orient, and South American. I also sold fruit to the canneries and wineries.

I was a director of the California Fruit Exchange 19 years, and in 1962 the farm labor union began interfering, and in 1963 I had a bad year, everybody had a bad year that year. There was a lot of rain, so I was suffering considerably that year. So in 1965 I was trying to change marketing agent just for a year or so to see if I could do better with the Heggblade-Marguleas Co. We had several meetings with several Heggblade-Marguleas officials, they assured me that they would help me, I went and signed up for 1 year, 1965, with Heggblade-Marguleas Co.

The way they were marketing the fruit was actually very unsatisfactory to me, so late in the season I told them that this would be the last year because I was going for my own sales organization or I would go back to California Fruit Exchange or something else. That year huge losses were created. From then on they started conspiring and asking, working with the bank, it appeared that they wanted this property, they wanted these grapes and the quality I have there.

So in February 1966 the Bank of America told me they were going to foreclose me and they filed their notice of default. Also, on the 28th of February 1966 they gave up management of my ranch to Heggblade-Marguleas and also sales, which was against my will, after they lost so much money for me the year before I told them no more sales contract but bank insists to give to them for that year. Also they put notice of default, threatening to foreclose if I do not obey their plan, they told me I can go to the beach or anywhere else and they will take care of the ranch for me. Also they told me "we are going to do good sales for you and manage ranch for you." So I can't do anything else, but sign the contract because the notes were defaulted already. They put notices of default on my farm, on my buildings, on everything.

So what happened is they lost for the year 1966 the tax records show \$2,033,000 that year, and then I filed chapter 11 in January 1967, and a year later they foreclosed on me and they sold the property. They bought the property themselves for \$5,800,000 and they sold to Marguleas and Tenneco for \$5,750,000, forgiving interest for 3 years, which is \$1,100,000 in interest alone off. And I got 2,600 acres that was in Bureau of Reclamation and this land they just appraised in January and February 1966 for over 4 million. As I deduct, actually, including my inventory, and money that I can get from the Bureau of Reclamation, if they pay me appraised price of January 1966, in addition to 560 acres of leased land with the larger plant, one of the largest in the country, dehydrating plant and cold storage plant in which I can store 400 carloads of grapes, and they sold that to Tenneco-Heggblade-Marguleas Co. for this much money, in addition to all my other property.

The Bureau of Reclamation, if he sold that, was appraised by the U.S. Government, the Bureau of Reclamation people, then I would be having 3,000 acres, 2,400 acres and 560 acres leased and I would be having my plant and all that. But they were working it all different. I got letter from bank after they foreclosed, "Mr. Divizich, if you quit your suit," I filed a suit against the bank and Marguleas, "If you quit your suit you are welcome to stay your lifetime in your home." That is all, that is the result I have after 50 years of hard work in the sun, hot sun, and this place was a desert.

Now it is 27 miles driving around this beautiful ranch, a 72-mile pipeline throughout, and 70 miles of roads through the place, divided into 40-acre blocks with a 50-foot road all around. It was one of the nicest places in the world, and I have been left without anything. Also have developed water at a cost of over \$1 million, with 28 irrigation wells and pipeline. This is the story of what has happened to me.

Senator STEVENSON. Mr. Divizich, was it in 1965 that you suffered your big loss?

Mr. DIVIZICH. Yes, when Heggblade-Marguleas marketed my fruit. In 1963, the bad weather, but 1965 was bigger loss yet caused mostly by Heggblade-Marguleas Co.

Senator STEVENSON. In that year the Bank of America was managing your farm?

Mr. DIVIZICH. No, in 1966, but both bank and Heggblade-Marguleas were interfering.

Senator STEVENSON. You suffered a large loss in 1966?

Mr. DIVIZICH. Yes, \$2,033,000.

Senator STEVENSON. A \$2 million loss? What was the reason, was it fate, or negligence, or was it deliberate on the part of those who were managing your farm?

Mr. DIVIZICH. Well, I feel it was negligence, and I feel it was poor sales. In other words, I talked to my counsel, it looked to me that these people wanted it broke down and they took it by themselves. My counsel said, "Can you prove that, Mr. Divizich, can you prove that?" I said, "No, I can't prove it because that is in the making." Finally it happened 2 years later, 2 or 3 years later, it happened they wanted my property. Marguleas and all of the families, the little children and everyone on my 2,600-acre Bureau of Reclamation project, someone who never saw the land before. And I had chances before if I can sell the property. But the Bureau of Reclamation wouldn't let me do that before 1965, but before that I had a chance to do it. Marguleas and their families, they went to Washington, and a lot of bank lawyers and their lawyers, and finally they got 20 undivided interests, put in their families on this 2,600 acres. Heggblade-Marguleas merged with Tenneco, and Tenneco bought the balance of my property. They own property now, and I am living still in the house where nobody tell me to move. And that is it. After 51 years of sacrifice, working here in the valley in the hot sun for 51 years and now nothing, not even 1 acre given to me.

Senator STEVENSON. It was a wonderful story until 1963, a long story of hard work, of frugality, of perseverance and of success. It

is almost the American dream fulfilled. But I am afraid what we are finding in these hearings all across America is that the Peter Diviziches are disappearing and new farmers are appearing with names like Tenneco, and Dow, and Del Monte, and we want to find out why.

Mr. DIVIZICH. Yes; that is the truth. But I myself suffer and finally we got a 6-week trial here in Fresno and the jury awarded me \$400,000 verdict. So it was just about 6 percent of my losses. According to testimony by Mr. Ken Larkin, Sr., vice president of Bank of America, around 1958-60 my net worth was \$7 million. He was manager of Bank of America branch at Bakersfield where I was doing business and was serving my loans at that time. He is now at the main office in San Francisco.

Senator STEVENSON. I hope we can hear a little bit more from Mr. Irwin about that case and the judgment that you did recover.

Senator Taft, do you have any questions you would like to ask Mr. Divizich?

Senator Taft. No; but I have a few I would like to ask Mr. Irwin later concerning some legal aspects.

Senator STEVENSON. Thank you Mr. Divizich.

(The prepared statement of Mr. Divizich follows:)

PREPARED STATEMENT OF PETER DIVIZICH, GRAPE FARMER, SAN JOAQUIN VALLEY

My name is Peter Divizich. I am a grape farmer in the Delano-Ducor area in the San Joaquin Valley. My entire adult life has been spent in developing lands in that part of the valley. These lands produce the finest table grapes in this country and the world.

I came to this country from Yugoslavia, my birth place, in Dalmatia, near Dubrovnik from my father's vineyards, orchards, etc. when I was a young man. I settled in the San Joaquin Valley when it was still largely an undeveloped wilderness.

All of my life I have been engaged in farming from the point of taking raw land and developing it to the fertile and productive fields that provide the main wealth of this valley.

Because of this long experience in California farming, I feel that I have had a unique opportunity to see the development of agriculture in this state and this valley.

My first farming venture occurred in 1924. I acquired a small prune orchard and other acreage in an area that is now part of the town of Porterville. I planted other varieties of fruit also, and built a dehydrating plant. The home that was put upon that land was built with my own hands. The product of that fruit ranch was used to acquire and develop other farmlands.

Through the process of developing new lands, my ranching operation grew until some 4,000 acres of table and wine grapes were in production. There were other lesser acreages devoted to other produce, cotton and wheat. These grapes were marketed throughout the world.

The growth and good fortune I enjoyed were in many ways a parallel to the American dream of success coming to those who persevere and work hard. I do not mean to brag because I am aware that this growth was not only due to hard work but to the blessings that nature bestowed upon this valley.

In my story there is a darker side and that also is an important part of the picture of agriculture in this valley.

The expansion that led to my growth required large amounts of capital. The farmer has always had to depend upon money from outside sources to finance the development of his lands. The heavy expenditure required to develop must be made knowing that no income is possible for several years. The farmer must have financing by institutions that recognize this fact of life in farming. The lender must be aware that the farmer is subject to weather, strikes, marketing conditions and other factors beyond his control which can seriously affect his short term ability to pay.

In my own development, I was financed by the Bank of America. This borrowing relationship went back almost thirty years. They benefited from the arrangement as I did. In the period from 1959 through 1964, I was financed primarily with loans which were due and payable at the end of each crop year. When these could not be repaid because of the lag between the development of the lands and their income-producing period, the debts were in default.

The lender, in spite of the years of mutually beneficial dealing and in spite of lender's knowledge of the reasons for the unpaid loans, commenced foreclosure proceedings. These activities finally led to the loss of a ranching operation that had been valued in excess of twelve million.

I believe another substantial factor leading to this loss was the manner in which my crops were marketed. During the time of my financial difficulties, the bank compelled me to turn my ranching operations over to outside management. A part of this outside management team was one of the largest marketers of fresh produce and particularly table grapes in the United States. Also they paid wages two times more than I paid my farm managers and this was only for a small part time work.

Marketing has always been a source of trouble to the farmer. The traditional methods of marketing have been to turn the crop over to the marketer who is paid a commission to find a buyer. The farmer has each year borne the risks of weather, insects, production problems, and the many factors that influence his crop. The farmer invests his capital and his time in these annual risks. If he is successful in producing a good crop, he then faces the sometimes more hazardous risk of the market.

The marketer receives a commission of 9 to 10 per cent of the sale price with practically none of the risks faced by the farmer. If the farmer was assured that the marketer was dedicated solely to promoting his own interest and obtaining the highest return, the payment of such a commission would be acceptable.

I have found that the marketer who was selling my crops and who was being paid by me was constantly in a position of conflicting interests.

The marketer may have negotiated a sale of my produce at a firm price. When the produce arrived, the buyer may have an opportunity to buy on the open market at a lower price. When faced with the question of getting the contract price for my fruit and thereby risking the discontent of the buyer, I have found that the marketer in each instance released the buyer from the contract and sold my fruit at a lower price. This was done under the guise of preserving the future good will of the buyer and thereby ensuring a market. This public relations gesture benefits the commission merchant but is purchased with the grower's money. I have never seen the marketer insist that the grower get more for his fruit in such a contract when the price has risen between the time of shipping and the arrival at the market.

The grower is particularly vulnerable to the losses that can be imposed upon him by such marketing practices. The fruit is a perishable commodity. It is shipped from the West Coast for arrival in the eastern market five to seven days later. Upon arrival, the commodity has a limited useful fresh life. If the buyer should refuse to honor his contract, the grower is in an impossible position in attempting to find another buyer. This vulnerability has been exploited by marketers and commission merchants for years.

The grower who has sold his fruit with a firm price has the legal and moral right to expect his agent to protect his price. If that agent abandons him in favor of the buyer, the grower can only seek redress from the agent. He is then faced with an almost united front of merchants who insist this practice is a fact of life in the marketplace and that custom and practice condone this sell-out.

The marketer will often ship perishable commodities to a buyer under terms called "price arrival". This puts the grower completely at the mercy of the buyer and the buyer can virtually name his own price. There are a number of marketing devices where the price is left in the hands of the buyer.

The honest marketer and the grower who fight this system are its first victims. The marketer who insists on protecting his growers' legal rights is rapidly frozen out of the market which is devoted to protecting the merchant and the buyer.

This marketing system operates at the expense of the farmer but the consumer is not the beneficiary of the depressed price. These benefits are retained

by the persons who participate in the marketing process. Their risk and investment are the least and their return is the highest.

In my own case, the bank put me in the hands of a marketer, Heggblade-Marguleas, where such marketing practices were pursued.

My losses, were such that I was ultimately forced into bankruptcy. The farming properties, which were acquired through a lifetime of effort, were acquired by the bank.

The bank, after a year or so of operation, sold these ranch properties to the same marketing agents whose marketing practices had been as damaging. The sale took place under terms that were extremely favorable to the purchaser.

Twenty-three hundred acres of land were under recordable contracts with the Bureau of Reclamation. This is land that was receiving water from federal irrigation projects and subject to the 160-acre limitation laws. The bank sold this land to approximately twenty men, women and children, who were members of the Marguleas family and executives of the Heggblade-Marguleas Company. I am sure that some of these eight or nine-year old farmers have never seen the land they are now supposed to own.

This seems to me a twisting of the laws which were designed to promote family farms.

Just before the Heggblade-Marguleas family and friends purchased these 2,300 acres of land, Heggblade-Marguleas was acquired by Tenneco Company. Tenneco had acquired the Kern County Land Company several years before. Kern County Land Company purchased the remainder of my ranch from the Bank of America. This put more than 4,000 acres of prime table grapes in the hands of one of the largest private landowners in California. These same landowners are now one of the largest marketers of agricultural produce in the country.

The farmers of this valley who must compete against such a combination will be helpless. Tenneco is in a position to market its own crops through its own marketing arm. They are in a position to undercut all competing growers by the marketer's commission. Heggblade-Marguleas, while it attempts to market crops for independent farmers, will be marketing its own crops in direct competition with them. The practices of marketers which I have already mentioned will be much more destructive.

The large corporate farmer can sustain temporary crop and marketing depressions while its other operations produce the necessary profit. The large conglomerate corporation has access to easier credit and financing because it presents the bank with an opportunity to do business with a single large and diverse entity, where risks are lower and returns higher.

There may be talk of the added efficiency that such a concentration of wealth and experience can produce. They may contend that this will enable the consumer to buy products at a lower price. If such a benefit accrues, it will be a temporary one, when these corporations have killed off the competing marketers and growers, the desire for added profit will drive the price up. There will be no free market or competitive forces to control this price setting.

I have spent my life in this valley. I have dedicated myself to its development. Like all real farmers, I love the soil and the privilege of making it produce.

I think that this very important part of agriculture in this country will be gone forever if the activities of the giant farming corporation are not controlled.

I have chosen not to be too specific because I am engaged in litigation which challenges some of the practices by banks and giant corporations. I do not feel it is proper to talk in detail because of that.

I sincerely hope that the agriculture that has been the foundation of California and this valley's prosperity can be preserved through the concern and interest of the state and federal government.

Senator STEVENSON. Mr. Bianco, would you care to add anything?

STATEMENT OF ANTHONY A. BIANCO, JR., FARMER, CALIFORNIA

Mr. BIANCO. I just want to give my opinion of what is wrong with syndication of farmland in California. The owners that they sell these limited partnerships to have no interest in farming what-

soever. All they are concerned about is tax writeoff, and by spreading the cost of developing among many investors in high tax brackets with tax dollars, eventually we are going to be in a surplus position again in our vineyards, therefore it is going to just force the small family and small farmer out of business.

Senator STEVENSON. I think it is primarily tax loss farming that is involved.

Do you have any opinions on the activities of landgrant colleges? Do they tend to benefit the corporate farmers at the expense of the family farmers? Are there other factors at work besides tax loss farming?

Mr. BIANCO. I think that is all they are interested in is just where they can hide their tax dollars. They don't even know where the land is, where it is situated, they haven't even seen it, yet they have put thousands and thousands of dollars per acre into it and they inflate the property so much that a legitimate farmer just can't compete against that. If we want to buy another 40 acres, the price is prohibitive because it is in syndication.

Senator STEVENSON. One of the reasons they go into farming is also to acquire land for speculative purposes?

Mr. BIANCO. Yes; it is.

Senator STEVENSON. And eventually to sell it at a profit, perhaps not for farming purposes but residential or recreational or other purposes, is that so?

Mr. BIANCO. Whatever it would be.

Senator STEVENSON. Do you have any opinions about the care of the land by the syndicate farmers, the large corporate farmers as opposed to the family farmers? As their ownership of land is partly for speculative purposes, do they take the same care of it that the family owner does?

Mr. BIANCO. They have lots of dollars to spend so they can give it care, but they can spend all kinds of money and their buying power would be greater than a small farmer. I mean if you went to buy boxes or paper or any kind of material, if you will buy them in the hundreds of thousands of dollars class naturally you are going to be able to take advantage of all the discounts and the price breaks that they get, where a little man can't, he just can't compete with that.

(Information supplied by Mr. Bianco follows:)

JANUARY 4, 1972.

To: Mr. William P. Irwin.

From: Anthony A. Bianco, Jr.

Subject: Syndication of Farm Lands by Conglomerates.

I, Anthony A. Bianco, Jr., the undersigned, have personal knowledge of a group of companies which may be considered a conglomerate.

This group has been acquiring farm lands from small- to medium-sized farmers throughout the San Joaquin Valley. The acquisitions are mainly made by some type of stock exchange. The acquiring company at times has not had the required stock permits from the California Corporation Commissioner.

On many occasions, just prior to the acquisition, a new company is formed and stock of that company is then issued in exchange for the farm lands or the stock of companies controlling the farm lands. After acquiring the lands, the controlling interest of the conglomerate syndicates the properties and sell limited partnership interests to the public at inflated prices.

Prior to the actual syndication, the land is filtered through a number of the entities of the conglomerate through sales from one entity to another at very low prices. With so many companies involved and so many transactions, it is

often difficult, if not impossible, for the original owner to trace and recover any loss he has suffered.

I have in my possession considerable documentation to support the statements made herein, and I am willing to present said documentation to any governmental agency investigating the type of transactions mentioned.

Senator STEVENSON. I would like to ask all the farmers here one question which I have been asking throughout these hearings. The advent of the corporate combines in farming is justified typically in terms of economic efficiencies. It is said they can produce grapes, or whatever the product is, at a lower cost than can the individual family farmer. Now, if indeed this is a free enterprise system, those who produce most efficiently are those who survive and make money. In your cases you have been having difficulty. It is partly because you cannot produce as family farmers as efficiently, and at as low a cost, as the large conglomerate farmer; or, can you produce more efficiently at a lower cost, a better quality of product? What is the answer?

**STATEMENT OF JOHN GARABEDIAN, OF PETERS & GARABEDIAN,
FRESNO, CALIF.**

Mr. GARABEDIAN. I would like to answer that, Senator, if I may.

We are losing our train of thought on Mr. Divizich's problem of marketing, this is the area that I think should be explored. The family farmer or the corporate farmer can compete, the family farmer can compete with a corporate farmer that is expending its own money.

Senator STEVENSON. He can produce and grow.

Mr. GARABEDIAN. He can produce.

Senator STEVENSON. He can grow cheaply, he can produce from his own land, but at that point you are saying something else happens.

Mr. GARABEDIAN. That's right.

Senator STEVENSON. What happens at that point?

Mr. GARABEDIAN. This, Senator, will have a direct bearing, I think that Congressman Sisk's marketing bill takes care of the producer who sells to a processor, or who deals with a processor in his own area. However, California farming is involved a great deal in the production of perishable fruits and vegetables that are shipped out of the State, some in the State also, that you have no opportunity to negotiate with the processor. It isn't going to a processor, it is going directly to the perishable fruit and vegetable markets throughout the United States, and much of it in export. I don't know if his bill would consider negotiations along these lines.

Now we have the FTC, the Federal Trade Commission that possibly should reopen the search law and that is for examining the practices of general commodity sales agents. Some growers are captives and they are unable to speak out in regard to the unsupported advances that are given out to buyers in the east of large chains and jobbers, consignment houses, in order to gain their business. Yes, there are laws that if a complaint is made against a large agent such as Heggblade-Marguleas, then the FTC has the right to go in and

examine the books and see if anything was done illegally, or off-color let us say. However, before a complaint is made no one has the right, then the FTC doesn't have the right to go in and examine practices that Mr. Irwin referred to as to giving a buyer the advantage of a lower market and if there was a higher market the grower does not participate in that.

Now, selling agents have been known to make a practice of involving a buyer in a financially dissatisfactory arrangement in a certain commodity. For example, a chain buyer is given the opportunity to purchase from a large agent asparagus. Now, the f.o.b. price may be higher than the delivered price after the carload arrives back East and the purchaser is unhappy. In order that the larger broker or agent at this end does not lose this customer, and he has no way of reducing the invoice price, he tells them that it is possible that now we are going to start out on strawberries next week and we will give you an attractive price on the strawberries for the coming month. Now the grower of strawberries is penalized, he may be 200 miles away from the asparagus grower or in the next State. These are the things that we cannot cope with.

I am not particularly against corporate farming. You had testimony of a gentleman yesterday, I read this in the newspaper, this was yesterday in San Francisco, "I cannot hire anyone to perform with the level of competence and efficiency that I can perform." Now this is a farmer, a grower, a small grower. A corporate farm which takes the place of, let us say, 10 or 15 of these small farmers, yes, he may be able to purchase materials a little cheaper but he hasn't the supervision of the 10 or 20 farmers who are out there on that portion of land that they can supervise and get the greatest production from.

Syndicated farming, now that is a different story. That is not intended for the participants to, let us say, benefit from the income of those farms. The management or the promoters of this syndicate farming are only interested in, let us say, the profit made from their investors.

Now, if you wish, I would like to read a page of this letter, Senator, with your permission.

Senator STEVENSON. Very well.

Mr. GARABEDIAN. It would be more explanatory, I believe.

It is an absolute crime and a prewritten disaster—

Senator STEVENSON. Would you identify the letter for the record that you are reading from.

Mr. GARABEDIAN. This is a letter that I have given a copy of to this Committee.

Senator STEVENSON. This is a letter to the Federal Trade Commission?

Mr. GARABEDIAN. No, it is not. It is a letter to this Committee.

Senator STEVENSON. On Peters & Garabedian stationery.

Mr. GARABEDIAN. That's right.

Senator STEVENSON. I have it now. We will insert it in the record. (The information referred to follows:)

PETERS & GARABEDIAN

GROWERS - SHIPPERS - DISTRIBUTORS

POST OFFICE BOX 788 :: FRESNO, CALIFORNIA 93712

January 7, 1972

Re: Syndicated Farming

It is an absolute crime and a prewritten disaster which will create financial disaster to both those whose sole means of survival and those who are in other industry or professions; are permitted to invest "Tax Dollars" into syndicates solely run by so called Farm Management schemes. The only bright spot is for those involved in other industries and professions, for they have other means of generating income even after their farm folly has met with disaster; while the individual or corporation whose sole purpose is agriculture will have no place else to go in order to sustain life. The end result can only mean that our entire agricultural output will be jeopardized as farmers leave the field and head to town for their livelihood, while the professional and/or industrial investor goes back to his and about his basic business. Although it appears simply and on the surface that we are talking about dollars, on the contrary, we are talking about this nations food and fiber supply.

The attached Ad has appeared in the Los Angeles Time "and please note the sales pitch as regards "9% annual cash flow" and of most importance "80% write-off on 1971 invested dollars." Also attached is complete prospectus.

True, there are inequities in our taxstructure and I am not knowledgeable enough to be able to straighten those out, but agriculture seems to be the vogueish item of the times - an area of vital importance to the nation.

Unscrupulous promoters have for generations exploited the farmer on one basis or another, but never have they taken farming away from the farmer or farm families. Now, the new vogue seems to be exploiting - for farming - and removing the function entirely from the farmer or farm family.

How can or has the Fair Trade Commission tolerated the threat of permitting competition by investors who would actually prefer not to make a profit, but instead only gain tax-free equity in an industry as vital as food and fiber for the world?

I would like to see the F.T.C. as well as any other governmental bodies that could be brought in; run a full study of not only the syndicate promoters, but also of the investors - not their proposals and intentions, but their results and actual practices. The danger lies with individuals

Page 2 - Syndicated Farming

who are seeking tax dodges and not with the large corporations whose business is actually making a profit for stockholders. I firmly believe that the large industrial firms are people in business trying to make profit through the free enterprise system, which is understandable. But when groups of many individuals are brought into a field and promoted or exploited by syndicate operators and promoters who are trying to make a profit out of their investors without necessarily having any regard whether one can be made from the land, it must not be tolerated. The individual investor in these syndicates is only attracted by the tax write-off aspect and essentially an equity acquisition with tax dollars.

When these large syndicated farms come into production, the produced commodity will be turned over for distribution to some Broker/Handler or Marketing group who may or may not be controlled by the "promoter". Again, there will be no real consideration to costs of production, but instead only to earnable commissions. The end result, as indicated by some past performances, has been price cutting and demoralizing of price structures which adversely affect the individual farmer like myself.

I am certain that the record will bear out my contentions. Particularly in the production and marketing of table fruits and grapes which are extremely sensitive to 1, over production, variety, timing and kind; 2, inexperience in production; 3, capability of recognizing the very delicate preparation process for market and marketing system. Those who have been successful have done so by and thru extremely diligent effort in each phase. It has not occurred thru mere luck, as some would like to make the public believe. This particular field of endeavor requires more than just bigness and/or dollars. It requires very delicate care which, on an absentee basis has never proven successful and usually disastrous to not only the absentee owner, but also to the local farming community, which in this case covers all of California.

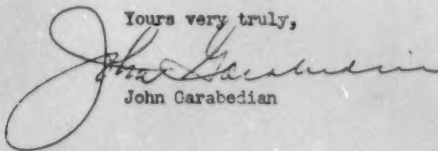
Perhaps Tax Laws should be changed.

Perhaps the S.E.C. should take closer look.

Perhaps these professional people should be given more tax breaks within their own industry rather than be forced to seek out fields which will be devastated by this type of investing.

I do not know the answers. All I do know is that the continued allowance of these practices will divest this nation of its agricultural supply and cause financial disaster to existing farmers.

Yours very truly,



John Garabedian

JG/zv
Enclosures

Invest In The California Wine Industry

Oakwood Associates announces
Rancho de las Uvas, a limited
partnership formed to invest in
California wine properties.



9% Annual Cash Flow
88% Write-Off on 1971 Invested Dollars.

(See opinion of tax counsel,
Freshman, Marantz, Comsky & Deutsch,
in offering circular)

MINIMUM INVESTMENT: \$3,000

ONE HOUR INVESTMENT MEETINGS

Tuesday - December 21
Century City, Century Plaza Hotel
Regents Dining Room - 8:00 p.m.

Tuesday - December 28
Century City, Century Plaza
Regents Dining Room - 8:00 p.m.

Thursday - December 30
Century City, Century Plaza Hotel
Regents Dining Room - 8:00 p.m.

For complete information, telephone today.

OAKWOOD ASSOCIATES
Los Angeles (213) 821-0459

This advertisement constitutes neither an offer to sell nor
a solicitation to buy. Such an offer is made only through
the Offering Circular and only to bona fide California
residents who meet certain financial criteria.

Mr. GARABEDIAN. When these large syndicated farms come into production, the produced commodity will be turned over for distribution to some broker/handler or marketing group who may or may not be controlled by the "promoter." Again, there will be no real consideration to costs of production, but instead only to earnable commissions. The end result, as indicated by some past performances, has been price cutting and demoralizing of price structures which adversely affect the individual farmer like myself.

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And perhaps the law should be changed, but my thinking in this case, Senator, is that we are not fearful of—let me change this. I think we in California should lay out the red carpet for corporate people or any kind of people to bring money here. We have 4 to 5 million acres in the San Joaquin Valley, in the Imperial Valley, in the Chowchilla Valley that is desert, and if a corporate farming enterprise, who are spending their own money and it is not a tax dodge, can be invited to come here and develop these lands, these deserts, with water systems, reservoirs, equipment, and machinery, I think the food and fiber supply of this country will never go to pieces.

Senator STEVENSON. You aren't concerned about the production of more surplus farm products and the present effect on prices?

Mr. GARABEDIAN. If you are, Senator, thinking of the subsidized crops, I don't think a corporate venture would be started in a subsidized crop.

Senator STEVENSON. No, I wasn't thinking of subsidized crops. I am thinking, for example, of grapes, the price now and the price 5 years from now.

Mr. GARABEDIAN. Well, the price now on wine grapes is attractive, let us say. Table grapes, the cost of table grapes and other vegetables is becoming higher daily. We are paying 49 cents for lettuce, when 10 years ago we could buy a whole crate, 24 heads for that, the farmer didn't get 49 cents.

But the driving of agriculture out of the United States is a reality that I believe the Congress should look into.

Senator STEVENSON. If you are saying what I think you are, which is you aren't concerned about the possibility of surplus grape production in the next 5 years, you are the first witness that I have heard say that.

Mr. GARABEDIAN. Well, I don't know what you mean by surplus.

Senator STEVENSON. Well, production which exceeds demand.

Mr. GARABEDIAN. You have picked on a commodity that has been promoted in my estimation, very greatly. The wine grape industry has been promoted whereby syndicated farming is planting 2,000 or 3,000 acres apiece and have sold the idea to doctors and lawyers and professional people. That the population of the United States is going more to wine consumption, the world population, they are looking to drink more wine, and that may be overdone yes, that commodity.

Senator STEVENSON. Senator Taft.

Senator TAFT. Thank you very much.

For many of the witnesses, I wonder if they have any feeling about the proposal that Congressman Sisk was mentioning of providing that bargaining would be between growers and purchasing groups and under relatively strict control similar to the National Labor Relations Act requiring free bargaining between the parties, but at the same time usually cutting off anyone else who wishes to come in and sell to the purchasing groups.

Are you familiar with that provision of the law? It hasn't been made into law yet as it is only a proposal.

Mr. GARABEDIAN. Somewhat. Although I did raise the question about the bargaining aspect of this law. It would leave out the perishable merchandise that does not require processing. In other words, like the Senator says, there is one processor in his State. In our case there are no processors. Who you are going to bargain with I don't know, Senator, but I will say that—

Senator TAFT. Presumably with grocery chains, if they are buying direct. Do they buy direct?

Mr. GARABEDIAN. Yes, they do, they buy direct. Many of our packers who pack for the grower, the grower delivers his fruit to a packing concern who packs and puts them in package and then his sales office sells them to a chain.

Senator TAFT. On your behalf?

Mr. GARABEDIAN. On the grower's behalf, that's right.

Now, if a corporate farm delivers to this first delivery, the packer, it doesn't make any difference how big the corporate farm is or how small the individual is, because it is sold through a commercial packing concern, let us say. Bigness, to me, doesn't make any difference in that unless in the case of Tenneco, which has its own selling organization that sells its own produced product, it sells for a grower that delivers his merchandise naked to his place of business and he packs it and sells it. Then he sells for a grower that does his own packing miles and miles away, in different States. There are others much larger than Tenneco's marketing division, Heggblade-Marguleas is also in that perishable line.

You mentioned, Senator, the State of Maine. Correct me if I am wrong, but you had 12 large corporate firms—

Senator STEVENSON. This is not all agriculture. One of the facts that we have discovered, and I think I made clear earlier, is that no one in America really knows who owns the land. We do an amazing job of inventorying all kinds of assets and maintaining statistics on various aspects of the economy but not on this basic asset, land. Ac-

cording to one study, 52 percent of all the land in the State of Maine is now owned by twelve corporations. Many of them, perhaps most of them, are in it for recreation, or in it for timber or mineral resources as well as for agriculture.

Mr. GARABEDIAN. Well, may I say that I happen to be a stockholder in one of those corporations that would be very happy to get rid of this million acres of timberland that is practically—they would like to sell for \$50 an acre. That doesn't have any bearing or influence on the largeness of corporate farming in California. Some of us may think that 52 percent of the state's land belongs to a farming organization. I wanted to clear that up.

Senator STEVENSON. Not all farming, no, not by any means.

Mr. GARABEDIAN. Very little of it.

Senator STEVENSON. It may be recreation. But it doesn't matter what it is. The point is that corporations are moving in, they are taking over, they are forcing up the land values in most parts of the country, making it very difficult for the Peter Diviziches of today to go into farming, to buy a place maybe if only for recreation in the country. The prices are too high for one thing, but let's not digress. I think we have cleared up the record if there were any misunderstandings.

Senator STEVENSON. Senator Taft, do you have any additional questions.

Senator TAFT. Thank you very much, Mr. Chairman. Mr. Irwin, I would like to have some comments from you on the area of the antitrust laws. First of all, are there any California antitrust laws and procedures that are involved here?

Mr. IRWIN. Yes.

Senator TAFT. Are you proceeding under those as well as Federal?

Mr. IRWIN. No; we have filed under the Federal antitrust laws, sections 1 and 2 of the Sherman Act, sections 3 and 7 of the Clayton Act, and we are going to amend the complaint to provide section 5 of the Federal Trade Commission Act for unfair practices.

Senator TAFT. What do the California antitrust laws state?

Mr. IRWIN. Generally the same that the federal laws say, they generally follow the Federal format.

Senator TAFT. Have there been any cases of this sort brought under the California antitrust laws?

Mr. IRWIN. Some, but none to my knowledge in the farming area, which is our target in this particular antitrust litigation.

Senator TAFT. Why do you think that is true?

Mr. IRWIN. Why do I think what is true?

Senator TAFT. That there have been none filed under California law.

Mr. IRWIN. I don't know; I don't know. I don't think anyone as far as I know and I can see has been willing to take it on. There is tremendous expense, you might appreciate. We have a two-man law firm and to take on an antitrust matter, well, for example, the Divizich damage case in Fresno County took us approximately 11 months to prepare and the antitrust case is going to take longer. You have an expensive discovery proceeding, a lot of travel time, while the lawyers are working on the case they are not bringing in

any money from other areas, and that's got to be one of the reasons why firms, small firms, in the San Joaquin Valley have been reluctant to take on major antitrust litigation.

Senator TAFT. Have there been any government initiated cases of this sort?

Mr. IRWIN. Yes. The Federal Trade Commission came to see me during the course of this case and they told me that they were instrumental in the lettuce cases in Salinas which are now being conducted in the Federal courts. Bud Antle and some of those companies that control the lettuce production in the Salinas area are in litigation, Purex, Bud Antle, United Fruit. But I think Senator, to answer your question, this is little impact in the antitrust field, farming, and the attack on conglomerates.

Senator TAFT. Do you have any particular suggestions as to ways in which the antitrust laws might be improved so as to affect competition or protect competition, unfair competition and unfair practices in agriculture?

Mr. IRWIN. I think the antitrust laws are good laws. I think the basic framework of the Sherman Act is to provide us with a society of free competitors. I do not feel that bigness is bad in itself, but that when that size is used to create an unfair competitive advantage that you destroy a free and open competitive market, and that's the target of the Sherman Act. The Clayton Act gets more specific and deals with price discrimination and the Federal Trade Commission broadens it and gives us a base to present a case on unfair practices. And I think the Sherman and the Clayton and the Federal Trade Commission Acts are constructive and I am hopeful that I am going to be able to use them in the coming litigation to my advantage. What I have learned from the litigation that I have been involved in is that we are really not promoting the freedom of sellers, what we are really promoting is cartels or protection for buyers at the sellers' expense, and I feel that that has got to be upset.

Senator TAFT. Have you examined the possibility of using the Robinson Patman Act in this connection?

Mr. IRWIN. There is a possibility of that, that is correct.

Senator TAFT. That is the section of the Federal Trade Commission Act that is involved.

Mr. IRWIN. Right.

Senator TAFT. In the specific case that you referred to, the experience that led to this bankruptcy, was there a trustee in bankruptcy appointed? There must have been under the chapter 11 proceeding.

Mr. IRWIN. Right; yes, there was a receiver appointed, and they also had what they call a creditors' committee. A Mr. Bandel in DeLano represented Mr. Divizich's interest in this creditors' committee, Mr. Carastan represented the creditors' interest, and the Bank

of America represented their own interests, and they actually ran the Divizich property during the 1967 bankruptcy year.

Senator TAFT. The trustee did?

Mr. IRWIN. Yes, the committee. The trustee's committee actually managed the property.

Senator TAFT. This was subject to court supervision?

Mr. IRWIN. Yes, it was. And during the course of that operation, as I say, Heggblade-Marguleas was marketing fruit in 1966 and they continued to market in 1967 but the creditors' committee discharged them in the early part of 1967 and replaced them with another marketing agent because of the committee's dissatisfaction. Another loss was suffered in the year 1967, so you can see that Mr. Divizich was really being put in a place beyond which he could not conceivably recover.

Senator TAFT. Is it correct that your claims extend to the period prior to filing of bankruptcy?

Mr. IRWIN. Yes. Our lawsuit was based upon the fact that the bank proceeded on its risk when it took the management of this property in lieu of foreclosure. You know, they could have foreclosed on that property within a 90-day period and sold it within the following 30-day period. They chose not to do that.

Senator TAFT. Or chapter 11 could have been filed at that time?

Mr. IRWIN. That is true, a chapter 11 could have been filed at that time. But, you see, Mr. Divizich is saying, o.k., fellows, if you think you can do better than I can, I admit I have some problems here and I will trust that you will manage this and pull me out of it. That was the philosophy of what was presented to him.

Senator TAFT. The sale ultimately took place—

Mr. IRWIN. 1968.

Senator TAFT. The sale of the property in 1968 was at a time when the bankruptcy was still pending?

Mr. IRWIN. Yes, Mr. Divizich was still in bankruptcy. The court permitted the Bank of America to foreclose because the court took testimony to the effect that the amount owing against it had risen from 4.5 to in excess of 9 million and they felt there was no equity to protect at that point, so they permitted the bank to foreclose and the bank foreclosed by bidding in the property at \$5,800,000.

Senator TAFT. That decision was subject to court approval?

Mr. IRWIN. Yes, it was. But Mr. Divizich was ordered to proceed with a lawsuit against the Bank of America and Heggblade-Marguleas because they are saying, we are not saying you are damaged but we think maybe there is good cause to believe that you have a cause of action, and we are not going to take that away from you, and that was part of the final order in the chapter 11 proceeding.

Senator TAFT. Thank you very much.

Senator STEVENSON. Mr. Irwin, when you talked principally about the ways in which bigness can be used to control production largely through the acquisition and, I guess, monopolization of land and perhaps in violation of antitrust laws, I would like to followup on one point that Senator Taft was getting at. Why hasn't the Department of Justice been more active if there is evidence at least of antitrust violations, or has it? What has it been doing and the Federal Trade Commission?

Mr. IRWIN. Well, it has. I had a lawyer in the Justice Department call me and ask me what was going on and I told him that I had filed a private antitrust suit in behalf of Mr. Divizich and he asked for me to mail it to him so he could review it. He said that he was going to come out, he hadn't had the time but he was involved in other litigation and he was looking forward to coming out and talking to me about it. The Federal Trade Commission has sent an economist to see me and we have discussed the merits of the antitrust. I will tell you one of their main problems is this. They have to understand who actually makes the market in the State of California. For example, fresh fruits and vegetables, they didn't clearly understand that. The economist came, he made a very comprehensive study of the State and he knows now the companies that actually what they call, "make the market."

Senator STEVENSON. How long ago was that?

Mr. IRWIN. That was 1 day before the verdict came in.

Senator STEVENSON. When did the verdict come in?

Mr. IRWIN. December 17.

So I feel that they are actively working on this, but in fairness to them it is rather complex. I have been working since February and I am not sure that I understand it all, either, so it takes time.

Senator TAFT. Will the Senator yield?

Senator STEVENSON. Certainly.

Senator TAFT. Has there been any consideration with regard to the broker and pricing problem that was mentioned here and the marketing problem?

Mr. IRWIN. Right. I went into it and I presented to him people who are leaders and responsible in the field and he took direct testimony from them, and I feel that he is now in a position to evaluate whether or not he wants to file or recommend filing of a complaint.

Senator TAFT. Has there been any consideration of asking for a trade practice conference under the Federal Trade Commission Act?

Mr. IRWIN. Yes.

Senator TAFT. In this regard?

Mr. IRWIN. Yes.

Senator TAFT. It would seem to me that this might be an area that would certainly bring out the facts or reveal what the differences and problems are. I have a hard time understanding just what the market is here. It doesn't seem—

Mr. IRWIN. He did, too. And, you see, the interesting thing is that probably of the five, and I don't want to discuss too much of the detail of this, organizations that really do make the market in the State of California, there is only one that owns the land and also sells the product and owns the containers and, you see, that is where the explosiveness lies.

Senator STEVENSON. There is only one, are you referring to Tenneco?

Mr. IRWIN. Yes.

Senator STEVENSON. There are others.

Mr. IRWIN. Marguleas is the marketer, is the only marketer, to my knowledge, that takes a position in the fruit as well as sells the fruit for other people.

Senator STEVENSON. There are other vertically organized corporations that get into the production, the processing, the retailing, and even the serving of food in restaurants. We haven't begun to get the picture of Tenneco. I understand that they have the capability of making their own tractors, and they can provide their own gasoline for them.

Mr. IRWIN. I understand that. I also understand they have the world's largest shipbuilding company.

Senator STEVENSON. They even have their own label now under which they market much of their own produce.

Mr. IRWIN. You see, I have my hands full with Peter Divizich's problems, I can't take them all.

Senator STEVENSON. In addition to Robinson-Patman Act violations, price discrimination, and the possible Clayton and Sherman Antitrust Act violations are there State antitrust laws, and, if so, is any action being taken at that level?

Mr. IRWIN. We intend to pursue State as well as Federal remedies, but right now we are in a position for Federal antitrust action. Since I filed that complaint, and it was during the course of the damage action that I learned the processes that have happened here and it was at that time I elected to file the antitrust action, and since we received the favorable verdict, I know a lot more than I did then, and I intend to go back in and what the lawyers call clean up the complaint.

Senator STEVENSON. You said you intend to pursue the State action.

Mr. IRWIN. No; the antitrust action.

Senator STEVENSON. Pursue the antitrust action?

Mr. IRWIN. Yes; you see, you are permitted to file the Federal antitrust action and include within it a State antitrust action into Federal court.

Senator STEVENSON. Have you received inquiries from Federal authorities?

Mr. IRWIN. Yes.

Senator STEVENSON. Have you received any such inquiries from State authorities?

Mr. IRWIN. None.

Senator STEVENSON. Has there been any interest at all on the part of the State authorities?

Mr. IRWIN. None; nor have I solicited the interest.

Senator STEVENSON. Why should you, as a citizen, have to solicit their interest in the enforcement of the laws in the State of California? That is their law, isn't it?

Mr. IRWIN. Let me say this to you, that the State of California was helpful to me in the Divizich litigation, they did appear as witnesses on marketing practices. The farm advisor's office made available witnesses to me and the State Market News Service Agency, which was very helpful to me, made available witnesses to me, and they were instrumental in the verdict. Now, whether or not they are going to become interested in the antitrust litigation, I don't know at this point.

Senator STEVENSON. Could you tell us a little about that verdict? What was the nature of the cause of action?

Mr. IRWIN. It was a damage action for money based upon the charge of improper management on the part of the Bank of America and improper marketing on the part of Heggblade-Marguleas. Tenneco was not a defendant in the damage action.

Senator STEVENSON. Heggblade-Marguleas is now part of Tenneco, isn't it?

Mr. IRWIN. It is Heggblade-Marguleas-Tenneco now. They were acquired after the facts that we sued on took place. There was a verdict rendered for \$200,000 against the Bank of America and Angelo Popagne, one of the agents chosen to manage the ranch, for improper management of the ranch property.

Senator STEVENSON. Negligence, only negligence?

Mr. IRWIN. That is all.

Senator STEVENSON. You didn't recover—

Mr. IRWIN. No, there were no punitive damages.

The other part of the verdict was for two hundred thousand and it was rendered against Heggblade-Marguleas and its particular agent, John Thomas, for improper marketing. And that was the sum and substance of the verdict and we have to proceed from there with the Federal action.

Senator STEVENSON. Senator Taft, do you have any more questions?

Senator TAFT. No, thank you.

Senator STEVENSON. I want to thank all of you gentlemen very much for joining us this morning and for making an extremely important contribution to our hearing.

Mr. IRWIN. Thank you.

(Supplemental material from Mr. Garabedian follows:)

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PETERS & GARABEDIAN

GROWERS - SHIPPERS - DISTRIBUTORS

POST OFFICE BOX 788 :: FRESNO, CALIFORNIA 93712

January 26, 1972

The Honorable Adlai E. Stevenson III
United States Senator
United States Senate
Committee on Labor and Public Welfare
Washington, D. C. 20510

Dear Senator Stevenson:

During the recent hearing in Fresno, we touched on the subject of unfair marketing practices which create unfair competition and cause responsible growers-shippers to suffer financial losses.

Enclosing, herewith, photo copies of contracts. One headed "Marketing and Storage Contract," please note with special interest the portion underlined on page 3. The second headed "Harvesting, Hauling, Packing and Marketing Contract", again please note the section in brackets on page 3. Read the entire agreement if you will, but those underscored sections deal with the explicit responsibility the seller has to producer which, as the contract reads, is none and only has an authorization to keep his buyer "whole" irrespective of all contions that prevail.

Mind you, Senator, this is a legal contract and being such only indicates the need for change in the law, whereby the producer can enjoy the same protection of profits that the buyer has. To give a man a license to make adjustments without question or substantiating evidence supporting his position of an adjusted price, certainly has no equity.

It would seem correct to me and at a bare minimum at least, to include the wording in the underscored section; Company shall have the right to make adjustments with buyers because of quality and condition, provided acceptable evidence of a change in quality and condition under the rules of nonsuitable shipping condition as defined under the Perishable Agricultural Commodity Act on f.o.b. sales is presented. On any other kind of adjustment at least a seller should have to justify an allowance on the basis of the sale as prescribed under P.A.C.A. This would, at least, leave the grower with a position by which he could ask a question and possibly start proceedings if in his opinion,

Page 2 - Senator Stevenson

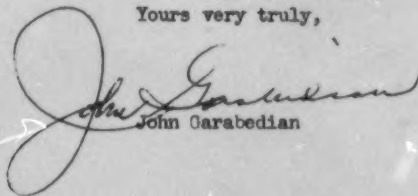
the seller was mis-using or abusing privileges as his agent.

The way the enclosed contract reads is that over a ten year period the growers has no recourse whatsoever. The testimony of Mr. Irwin who brought suit received an award of \$200,000.00 for "improper adjustments and below market sales" for P. J. Divicich of Ducor against Heggblade and Marguleas Company.

I spoke with you about the damage or disaster that Syndicated Farming can cause by reason of promoters seeking to secure their earnings, not from the land, but instead from their investors. These enclosed contracts further confirm my reasoning, an attitude that disposition of the product produced is a secondary consideration to the promoters at a cost to the family farmer, is or will cause devastation.

I would be interested to hear your views and recommendations, if you would be kind enough to keep me informed. If we can be of any assistance in clarifying any aspect of the marketing portions, please call upon me.

Yours very truly,



John Garabedian

JG/sy
Enclosures

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MARKETING AND STORAGE CONTRACT

This Marketing and Storage Contract, made as of the
15th day of December, 1971, between HEGGBLADE-
MARGULEAS-TENNECO INC., a California corporation, with its main
office located in Bakersfield, California (hereinafter called
"Company") and ROBERTS' FARMS, INC., a California corporation,
with its main office in McFarland, California (hereinafter called
"Grower").

W I T N E S S E T H:

1. Grower hereby appoints Company as its exclusive
Agent for the marketing of all grapes, other than grapes of the
types or varieties suitable only for use in the making of wine,
(such grapes to be marketed, or any part thereof, hereinafter called
the "Grapes") produced or to be produced by Grower during the
five year period from January 1, 1972, to and including December 31,
1976, and thereafter, at the option of Company, for a second
five-year period from January 1, 1977, to and including December
31, 1981, upon all property of Grower described in Exhibit
"A" hereto, and incorporated herein by reference.

2. Upon harvesting and packing of the Grapes, Grower
shall deliver the Grapes, or cause them to be delivered, to the
Company's packing facility in Bakersfield, California, for pre-
cooling, gassing and cold storage by the Company prior to their
shipment upon marketing. Such precooling, gassing and cold storage
by the Company of all Grapes produced or to be produced by Grower
upon all property of Grower described in Exhibit "A" shall be
for the five year period from January 1, 1972, to and including

December 31, 1976, and, at the option of Grover, for a second five-year period from January 1, 1977, to and including December 31, 1981.

3. After first conferring with Grover, the Company will instruct Grover in the grading; the selection of containers, types of packs, and sizes, colors and materials for containers; and all other preparation of the Grapes necessary for marketing the Grapes and the brand names under which the Grapes are to be marketed. The Company agrees that whenever practical, it will prominently show Grover's name on all labels and advertising material containing or relating to the Grapes. Company agrees that it will not, without first obtaining the consent of Grover, either pack in different types of containers, use different brand names or market through new techniques, other than those which at this date are being utilized by Company.

4. The Grover shall be responsible for the purchasing of all supplies and materials necessary for the harvesting and packing of the Grapes and for their delivery to the Company's packing facility in Bakersfield, California, as herein provided.

5. All cultural practices to be employed in the growing and harvesting of the Grapes shall be selected by the Grover. Grover agrees to grow and harvest the Grapes and to perform its obligation under the Agreement in a good farmerlike manner, in accordance with the accepted standards and practices prevailing in the geographical area.

6. Grover warrants that the Grapes delivered for sale shall not be adulterated within the meaning of the Federal Food, Drug and Cosmetic Act or within the meaning of any applicable State regulation, and the Grapes shall not be introduced into interstate commerce by the Grover unless in compliance with all applicable State and Federal laws and regulations.

7. Company shall use due diligence to receive, precool, gas, store and market all of the Grapes that are merchantable

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and/or marketable, provided it is not prevented from so doing by Grover, strikes, epidemics, lockouts, shortage of carriage or ice, governmental or other interference or other acts beyond its control, and after the Grapes have been delivered to the Company's packing facility pursuant to this Agreement, Company shall have full control of the times when, the places where, the parties to whom, and the manner and means of transportation of the Grapes. Company shall have the right to make adjustments with buyers because of quality or condition of the Grapes on arrival, market decline or other causes. Company will promptly notify Grover if any of the Grapes are not, because of their quality or condition, merchantable and/or marketable and Grover will be free to otherwise dispose of such unmerchantable and/or unmarketable Grapes. Company will promptly notify Grover if there has been an adverse change in the quality or condition of the Grapes on arrival. Company shall be entitled to employ the services and facilities of brokers, commission merchants, joint partners, auctions and such other firms, associations, and persons as to it may seem proper or convenient in the marketing of the Grapes. If, in the opinion of Company any shipment of the Grapes has a value at destination of less than its cost of transportation, Company may abandon such shipment to the carrier.

8. Company will attempt to obtain the best market prices. Company may, at its sole discretion, retain the Grapes in whole or in part, in appropriate storage for a reasonable period of time, if in Company's opinion, by doing so Company may obtain a better market price for the Grapes so retained at a later date; and in the event there is a market decline or deterioration in the quality or condition of such Grapes, during the period of retention, Grover shall have no cause of action in law or otherwise against Company. In no event shall this Agreement be held or construed as a guaranty of any specific price.

9. Company may extend credit to any buyer, but in so doing it guarantees payment to Grover.

10. Company shall have the right to comply with all marketing orders, pro-rate orders and marketing agreements that have been or may be made pursuant to any law or ordinance, Federal, State or municipal, and to charge to Grover as a selling expense any assessment that may be levied on Company pursuant to any such law or ordinance as the distributor or handler of the Grapes received from Grover hereunder and shall have the right to pay for Grover's account from the proceeds of sale or as an advance to Grover all charges, dues, and assessments that may be levied on Grover or against the Grapes pursuant to any such law or ordinance or pursuant to the by-laws of or any contract of Grover or Company with any league or association to which Grover or Company may belong.

11. Company shall have the right to file and prosecute in its own name or in any other name, claims with carriers, bonding and insurance companies, receivers, brokers, consignees, bailees, warehousemen, cold storage operators, processors, purchasers or any other person who may be responsible for the proper carriage, treatment, storage, processing, handling or payment of the Grapes handled by Company. The foregoing shall include the filing and processing of claims under the provisions of the Perishable Agricultural Commodities Act. For its services, Company shall be entitled to receive a commission of fifteen percent (15%) of the amount realized, together with reimbursement of legal fees and other out-of-pocket expense, provided, however, that as a condition precedent to reimbursement of legal fees and/or out-of-pocket expenses, Company shall advise Grover of amount of claim, facts upon which claim is based and Company's best estimate of costs of pursuing claims and shall obtain Grover's written consent to proceed.

12. Company shall invoice, collect for the account of Grover and remit proceeds of each sale less deductions for such items as are set forth herein and less advances made by Company.

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and shall provide Grover with a full accounting. It is understood that accounting for the first week's sales shall be rendered on the 5th week thereafter and that accounting for each week shall be tendered consecutively after the first accounting. Company shall furnish Grover each week with a summary of the preceding week's sales. Company agrees that all books of account and records relating to the sale of the Grapes under this Agreement and charges and expenses incident thereto shall be open for inspection by Grover at reasonable times during business hours for a period of not exceeding two years following any transaction.

13. For its services Company shall be entitled to a reasonable commission computed on the basis of the prevailing rate at that time charged by Company to other parties for similar services for receiving, precooling, cold storage, loading and marketing; in no event, however, shall such commission be greater than the lowest commission received by the Company for such services from other parties at that time. In the event Company is not at any time during the term of this Agreement performing similar services for others in connection with the same crop, Company and Grover hereby agree that Company shall receive a reasonable commission (to be mutually agreed upon after considering among other things the commissions received by other companies performing similar services in the geographical area of Kern County, California) for the services performed by Company for Grover pursuant to this Agreement.

14. Neither party shall assign or transfer its interest in this Agreement to any person or persons without first obtaining the written consent of the other party to this Agreement and neither party shall refuse to agree to any reasonably requested assignment or transfer.

15. Neither party to this Agreement shall be required to perform, or be liable for failure to perform, if such non-performance is caused by strikes, work stoppage, or labor demand or difficulties; labor shortages or inability to secure labor; shortages of equipment, materials or supplies; shortages or lack of facilities, car or truck shortages, transportation difficulties, or hostilities or natural emergencies, acts of God; the elements; mechanical breakdown; power failures; or causes beyond the control of the party unable to perform. If for any reason set forth in this Paragraph 15, Company is unable to perform its obligations under this Agreement, Grower shall be free to otherwise dispose of the Grapes during such period Company is unable to perform.

16. If either party is adjudicated a bankrupt, either voluntarily or involuntarily, or makes an assignment or arrangement for the benefit of creditors, or suffers other financial difficulty which prevents completion of the work to be performed by it, then the other party shall have the right immediately to take over and complete that work for the account of the non-performing party, subject only to the provisions of this Agreement relative to the settlement of accounts.

17. It is understood, agreed, and intended by the parties to this Agreement that in performing under this Agreement the parties are each separately and independently carrying out their respective businesses, that this Agreement does not and shall not create or constitute a partnership or joint venture between the parties and the Grower is and shall be as to Company an independent contractor and not an employee. This Agreement shall at all times be read, interpreted and applied in accordance with that intent. Any changes in this Agreement that may reasonably be required to carry out the understanding and intent of the parties shall be promptly embodied in a supplement or amendment to this Agreement, signed by both parties and shall be effective as of the date of the commencement of this Agreement.

18. Each party has full control of the activities performed by it under this Agreement. Neither shall be liable for injury or damage to person or property caused by the other, its servants, agents or employees, and each party agrees to protect, defend and save the other free and harmless from any claims, demands or liabilities on account of said injury or damage.

19. Grower shall obtain a subordination from those having any security interest in the Grapes to the extent of commissions due Company under this Agreement and shall grant to Company under the provisions of the California Commercial Code, a security interest to the total amount of commissions due in all the Grapes and proceeds therefrom to be marketed pursuant to this Agreement. On any default Company shall have all of the rights and remedies of a secured party under California's Uniform Commercial Code or other applicable law and all rights provided in this Agreement, all of which rights and remedies shall be cumulative to the full extent permitted by law.

20. If either party shall bring any action against the other under this Agreement, the prevailing party in that action shall be entitled to judgment for reasonable attorney's fees to be fixed by the Court.

21. All notices to be given under this Agreement shall be considered delivered when mailed to the parties by United States Postal Services, postage prepaid, addressed as follows:

If to "Company": HEGGBLADE-MARGULEAS-TENNECO INC.
P. O. Box 380
Bakersfield, California 93302

If to "Grower": ROBERTS' FARMS, INC.
Attention: Hollis B. Roberts
Route 1, Box 600
McFarland, California 93250

or to such other place as the parties may by written notice designate, or by personal delivery, or in any other manner provided by law.

22. This Agreement shall be binding on, and inure to the benefit of, the heirs, executors, administrators, successors, and assigns of the parties hereto, and except as hereinafter provided in this Paragraph 22 the covenants herein contained are to run with the land and be binding upon the parties and all persons claiming thereunder; the covenants herein contained shall not run with any part of the land described in Exhibit "A" if such land is sold by Grower to a bona fide purchaser and

- (i) such lands are not at the time of sale planted as grape vineyards, other than wine grape vineyards; or
- (ii) such lands are at the time of sale planted as grape vineyards other than wine grape vineyards, but such vineyards were planted subsequent to December 31, 1972.

Any tenant leasing any part of the land described in Exhibit "A" as of the date hereof shall not be bound by the covenants herein contained as to any Grapes produced upon land which such tenant is leasing on the date hereof; however, upon termination of any such leases, all of the terms, covenants and conditions contained in this Agreement shall be applicable to all future crops of Grapes produced or to be produced upon such lands, whether such crops of Grapes shall be produced by (i) Grower, (ii) a subsequent tenant of any of the lands described in Exhibit "A", or (iii) the heirs, executors, administrators, assignees, legatees, devisees or other successor in interest to the Grower or to a subsequent tenant of any of the land described in Exhibit "A".

23. At Company's election this Agreement may be recorded in the appropriate deed records for the counties in which any of the land described in Exhibit "A" is located.

24. This Agreement incorporates by reference Exhibit "A" only, which is attached hereto.

REG. 4611 112 528

IN WITNESS WHEREOF, this Agreement has been executed
as of the date hereinabove written.

ATTEST:

Eric S. [Signature]
Secretary



HEGGBLADE-MARGULEAS-TENNECO INC.
"Company"

By

Howard B. Marguleas
President

ATTEST:

Marion E. Roberts
Secretary

ROBERTS' FARMS, INC.
"Grower"

By

Louis B. Roberts
President



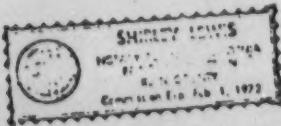
BX-4611 NR 520

STATE OF CALIFORNIA }
COUNTY OF KERN } ss.

On this 9th day of December, 19 71.

before me, Shirley Lewis, a Notary Public in and for said County and State, personally appeared Hollis B. Roberts and Nanon E. Roberts, known to me to be the President and Secretary, respectively, of ROBERTS' FARMS, INC., the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its Board of Directors.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Shirley Lewis
NOTARY PUBLIC
In and for said County and State

STATE OF CALIFORNIA }
COUNTY OF KERN } ss.

On this 9th day of December, 19 71, before me, WAYNE E. BROOME, a Notary Public in and for said County and State, personally appeared,

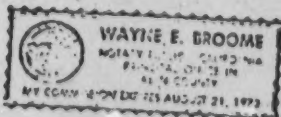
HOWARD P. MARGULEAS and LEON J. McDONOUGH, known to me to be the

President and Assistant Secretary, respectively, of

HEGGBLADE-MARGULEAS-TENNECO INC.

the corporation that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Wayne E. Broome
Notary Public in and for said County
and State

RECORDING REQUESTED BY

Tattle Sn. & Trust Co.
II 431801-L
AND WHEN RECORDED DATE, TO

BOOK 4611 PAGE 561

Tattle Sn. & Trust Co.

PC-17-71 45343-2202 • A T F S 2 2120

10 30 Justice Ave

Bakersfield, Cal. 93301

Recorded By RAY A. VERCALIMEN, Kern Co. Recorder

SPACE ABOVE THIS LINE FOR RECORDER'S USE

51.2

HARVESTING, HAULING, PACKING AND MARKETING CONTRACT

This Harvesting, Hauling, Packing and Marketing Contract made as of the 15th day of December, 1971, between REGGBLADE-MARGULEAS-TENNECO INC., a California corporation, with its main office located in Bakersfield, California, hereinafter called "Company", and ROBERTS' FARMS, INC., a California corporation, with its main office located in McFarland, California, hereinafter called "Grower";

WITNESSETH:

I

Grower hereby appoints Company as its exclusive Agent for the harvesting, packing, and marketing of all citrus crops, (such crops, or any part thereof, hereinafter called the "Crops") produced or to be produced by Grower during the five year period from January 1, 1972, to and including December 31, 1976, and thereafter, at the option of Company, for a second five-year period from January 1, 1977, to and including December 31, 1981, upon all property of Grower described in Exhibit "A" hereto and incorporated herein by reference.

II

HARVESTING, HAULING AND PACKING

1. Company will perform or cause to be performed all of the work of harvesting, hauling and packing of the Crops. The term "harvesting, hauling and packing" as used herein shall include all other necessary or appropriate services performed by

Company in handling, processing, storing and otherwise preparing the Crops after harvesting for marketing.

2. The number and selection of employees necessary for the harvesting, hauling and packing of the Crops, their hours of work and their compensation shall be determined solely by Company and such employees shall be employees only of Company.

3. All operations of Company in harvesting, hauling and packing Crops shall be conducted at all times with reasonable diligence with reasonable and prudent business judgment, in accordance with good practices which are usually utilized and employed by others engaged in the same fields of endeavor, and in compliance with all applicable laws, rules and regulations.

4. The duties and obligations of Company to harvest, haul and pack Crops shall be suspended while, but only as long as Company is prevented or hindered from complying therewith, in whole or in part, by Grover, strikes, lockouts, governmental regulation, governmental rebellion, invasion, uncontrollable delays in transportation, inability to obtain materials or supplies from established or generally recognized sources of supply, failure or inability to obtain permits, variances or special use permits or other matters (except for the payment of money) beyond the reasonable control of Company, whether similar to the matters herein specifically enumerated or not. Settlement of any labor dispute or labor disputes which affect the performance of the obligation of Company hereunder shall be in Company's sole discretion and Company's obligations shall be suspended while, and so long as, and to the extent that, Company is prevented from performing such obligations by such labor dispute or labor disputes. If for any reason set forth in this Paragraph 4, other than "by Grover", Company is unable to perform its obligations under this Agreement, Grover shall be free to perform such obligations during such period Company is unable to perform.

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3. The grading; the selection of containers, type of packs, and sizes, colors and materials for containers; all other preparation of the Crops necessary for marketing the Crops; and the selection of brand names under which the Crops are to be marketed shall, after consultation with Grower, be determined solely by Company. The Company agrees that whenever practical, it will prominently show Grower's name on all labels and advertising material containing or relating to the Crops.

III

MARKETING

1. Grower warrants that all Crops delivered for sale shall not be adulterated within the meaning of the Federal Food, Drug and Cosmetic Act or within the meaning of any applicable State regulation, and the Crop shall not be introduced into interstate commerce by the Grower unless in compliance with all applicable State and Federal governmental laws and regulations.

2. Company shall use due diligence to market all of the Crops as in its judgment are merchantable and/or marketable, provided it is not prevented from so doing by Grower, strikes, epidemics, lockouts, shortage of carriage or ice, governmental or other interference or other acts beyond its control, and Company shall have full control of the times when, the places where, the parties to whom, and the manner and means of transportation thereof.

if in its judgment any of the Crops are not merchantable and/or marketable and Grower shall be free to otherwise dispose of such unmerchantable and/or unmarketable crops. Company shall be entitled to employ the services and facilities of brokers, commission merchants, joint partners, auctions and such other firms, associations, and persons as to it may seem proper or convenient in the marketing of said Crops. If, in the opinion of Company any

shipment of Crop has a value at destination of less than its cost of transportation, Company may abandon such shipment to the carrier.

3. Company will attempt to obtain the best market prices. Company may, at its sole discretion, retain the Crops, in whole or in part, in appropriate storage for a reasonable period of time, if in Company's opinion, by doing so Company may obtain a better market price for the Crops so retained at a later date; and in the event there is a market decline or deterioration in the quality or condition of such Crops during the period of retention, Grower shall have no cause of action in law or otherwise against Company. In no event shall this Agreement be held or construed as a guaranty of any specific price.

4. Company may extend credit to any buyer, but in so doing it guarantees payment to Grower.

5. Company shall have the right to comply with all marketing orders; pro-rate orders and marketing agreements that have been or may be made pursuant to any law or ordinance, Federal, State or municipal; and to charge to Grower as a selling expense any assessment that may be levied on Company pursuant to any such law or ordinance as the distributor or handler of any Crop received from Grower hereunder and shall have the right to pay for Grower's account from the proceeds of sale or as an advance to Grower all charges, dues, and assessments that may be levied on Grower or against Grower's Crop pursuant to any such law or ordinance or pursuant to the by-laws of or any contract of Grower or Company with any league or association to which Grower or Company may belong.

6. Company shall have the right to file and prosecute in its own name or in any other name, claims with carriers, bonding and insurance companies, receivers, brokers, consignees, bailees, warehousemen, cold storage operators, processors, purchasers or any other person who may be responsible for the

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proper carriage, treatment, storage, processing, handling or payment of the Crop handled by Company. The foregoing shall include the filing and processing of claims under the provisions of the Perishable Agricultural Commodities Act. For its services, Company shall be entitled to receive a commission of fifteen percent (15%) of the amount realized, together with reimbursement of legal fees and other out-of-pocket expense, provided, however, that as a condition precedent to reimbursement of legal fees and/or out-of-pocket expenses, Company shall advise Grover of amount of claim, facts upon which claim is based and Company's best estimate of costs of pursuing claims and shall obtain Grover's written consent to proceed.

IV

FEES AND COMMISSIONS

1. For the services performed by Company pursuant to this Agreement, Company shall be entitled to the following:

- (i) Harvesting: A fee equal only to the aggregate amount of all expenses incurred by Company in harvesting the Crops, including amounts for labor; materials; fuel; power; supplies; depreciation; insurance; and administrative and other direct and indirect expenses which Company can identify with and which are related to the performance by Company of its obligations under this Agreement.
- (ii) Hauling: A fee equal only to the aggregate amount of all expenses incurred by Company in connection with transporting the Crops from where they are produced to the Company's packing facilities located in Bakersfield, California.
- (iii) Packing, Storing and Marketing: A reasonable

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commission computed on the basis of the prevailing rate at that time charged by Company to other parties for similar services relating to other citrus crops; in no event, however, shall such commission be greater than the lowest commission received by the Company for such services from other parties at that time. Company shall further receive a handling charge, computed on the basis of its then prevailing rate, for all Crops or portions thereof hauled to Company's packing plant and utilized for by-products. In the event Company is not at any time during the term of this Agreement performing similar services for others in connection with the same crop, Company and Grower hereby agree that Company shall receive a reasonable commission (to be mutually agreed upon after considering among other things the commissions received by other companies performing similar services in the geographical area of Kern County, California) for the services performed by Company for Grower pursuant to this Agreement. For its services of packing, storing and marketing of citrus, Company is presently receiving a commission of \$1.05 per packed carton sold, and a handling charge of \$3.00 per ton for citrus hauled to Company's packing plant and utilized for by-products.

2. In the event the Crops, or any part thereof, are sold in the aggregate for less than the fees owed to the Company pursuant to Paragraph 1 of this Section IV, Company shall be entitled to retain such amounts received from any buyers to cover such amounts due from Grower for harvesting, hauling and packing the Crops and recover the balance due from Grower.

3. Company shall invoice, collect for the account of Grower and remit proceeds of each sale less deductions for such items as are set forth herein and less advances made by Company, and shall provide Grower with a full accounting. It is understood that accounting for the first week's sales shall be rendered on the 5th week thereafter and that accounting for each week shall be rendered consecutively after the first accounting.. . . Company shall furnish Grower each week with a summary of the preceding week's sales. Company agrees that all books of account and records relating to the sale of the Crops under this Agreement and charges and expenses incident thereto shall be open for inspection by Grower at reasonable times during business hours for a period of not exceeding two years following any transaction.

V

MISCELLANEOUS

1. Neither party shall assign or transfer its interest in this Agreement to any person or persons without first obtaining the written consent of the other party of this Agreement and neither party shall refuse to agree to any reasonably requested assignment or transfer.

2. Neither party to this Agreement shall be required to perform, or be liable for failure to perform, if such non-performance is caused by strikes, work stoppage, or labor demand or difficulties; labor shortages or inability to secure labor; shortage of equipment, materials or supplies; shortages or lack of facilities, car or truck shortages, transportation difficulties, or hostilities or natural emergencies, acts of God; the elements; mechanical breakdown; power failures; or causes beyond the control of the party unable to perform.

3. If either party is adjudicated a bankrupt, either voluntarily or involuntarily, or makes an assignment or arrange-

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ment for the benefit of creditors, or suffers other financial difficulty which prevents completion of the work to be performed by it, then the other party shall have the right immediately to take over and complete that work for the account of the non-performing party, subject only to the provisions of this Agreement relative to the settlement of accounts.

4. It is understood, agreed, and intended by the parties to this Agreement that in performing under this Agreement the parties are each separately and independently carrying out their respective businesses, that this Agreement does not and shall not create or constitute a partnership or joint venture between the parties and the Grower is and shall be as to Company an independent contractor and not an employee. This Agreement shall at all times be read, interpreted and applied in accordance with that intent. Any changes in this Agreement that may reasonably be required to carry out the understanding and intent of the parties shall be promptly embodied in a supplement or amendment to this Agreement, signed by both parties and shall be effective as of the date of the commencement of this Agreement.

5. Each party has full control of the activities performed by it under this Agreement. Neither shall be liable for injury or damage to person or property caused by the other, its servants, agents or employees, and each party agrees to protect, defend and save the other free and harmless from any claims, demands or liabilities on account of said injury or damage.

6. Grower shall obtain a subordination from those having any security interest in the Crops to the extent of commissions, fees and reimbursements for costs due Company under this Agreement and shall grant to Company under the provisions of the California Commercial Code, a security interest to the total amount of such commissions, fees and costs due in all the Crops and proceeds therefrom to be marketed pursuant to this Agreement.

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The security interest in collateral and its proceeds is given to secure payment of any advances made to Grower hereunder and/or any charges paid for Grower by Company for which Company is entitled to reimbursement all other liabilities, primary, secondary, direct, contingent, or that may be later contracted or acquired and due or to become due from Grower to Company and performance by Grower of the Agreement. On any default Company shall have all of the rights and remedies of a secured party under California's Uniform Commercial Code or other applicable law and all rights provided in this Agreement, all of which rights and remedies shall be cumulative to the full extent permitted by law.

7. If either party shall bring any action against the other under this Agreement, the prevailing party in that action shall be entitled to judgment for reasonable attorney's fees to be fixed by the Court.

8. All notices to be given under this Agreement shall be considered delivered when mailed to the parties by United States Postal Services, Postage prepaid, addressed as follows:

If to "Company": HEGGBLADE-MARGULEAS-TENNECO INC.
P. O. Box 380
Bakersfield, California 93302

If to "Grower": ROBERTS' FARMS, INC.
Attention: Hollis B. Roberts
Route 1, Box 600
McFarland, California 93250

or to such other place as the parties may by written notice designate, or by personal delivery, or in any other manner provided by law.

9. This Agreement shall be binding on, and inure to the benefit of, the heirs, executors, administrators, successors, and assigns of the parties hereto, and except as hereinafter provided in this Paragraph 9 the covenants herein contained are to run with the land and be binding upon the parties and all persons claiming thereunder; the covenants herein contained shall

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not run with any part of the land described in Exhibit "A" if such land is sold by Grower to a bona fide purchaser and

Any tenant leasing any part of the land described in Exhibit "A" as of the date hereof shall not be bound by the covenants herein contained as to the Crops produced upon land which such tenant is leasing at the date hereof; however, upon termination of any such leases, all of the terms, covenants and conditions contained in this Agreement shall be applicable to all future Crops produced or to be produced upon such lands, whether such Crops shall be produced by (i) Grower, (ii) a subsequent tenant of any of the lands described in Exhibit "A", or (iii) the heirs, executors, administrators, assignees, legatees, devisees or other successor in interest to the Grower or to a subsequent tenant of any of the land described in Exhibit "A".

10. At the Company's election this Agreement may be recorded in the appropriate deed records for the counties in which any of the land described in Exhibit "A" is located.

11. This Agreement incorporates by reference Exhibit "A" only, which is attached hereto.

IN WITNESS WHEREOF, this Agreement has been executed as of the date hereinabove written.



ATTEST:

Marion E. Roberts
Secretary

MARGULEAS-TEENICO INC.
"Company"

By:

Howard R. Margules
President



MARGULEAS-TEENICO, INC.
"Company"

Howard R. Margules
President

1261

IRWIN AND THUESEN
ATTORNEYS AT LAW

WILLIAM P. IRWIN
DONALD C. THUESEN
DONALD H. GLASBUD

1310 SECURITY BANK BUILDING
FRESNO, CALIFORNIA 93721
AREA CODE 808
TELEPHONE 333-4681

March 2, 1972

Mr. Scott A. Walker
Federal Trade Commission
Seventh and Pennsylvania Avenue, N. W.
Washington, D. C. 20580

Dear Scott:

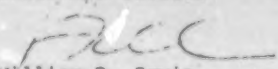
Enclosed you will find recent articles which may be of interest to you concerning both the FTC and the takeover of California farms by California conglomerates.

In addition, I am sending to you recent articles pertaining to the Tenneco sale of some 70,000 acres to Roberts. You will note that one of the articles recites that the marketing must be done through H-M which is the tie-in contract you were looking for. In this connection, Roberts has told Divizich that he did not like the idea of selling back through H-M but that he had no choice and that he had to sign a ten year contract on the marketing rights. This would certainly come within the provisions of the Clayton Act, relating to tie-in contracts (which I believe is contained in Section 7) and Section 5 of the FTC Act, relating to unfair competition, together with violation of Sections 1 and 2 of the Sherman Act which we previously discussed.

In addition, if you will contact Mr. Boren Chertkov, Counsel to the Subcommittee on Migratory Labor, Room 201, Senate Annex, Washington, D. C. 20510, I am sure he will make available to you the testimony given before Senators Stevenson and Taft on January 12, 1972 in Fresno. Testimony was given by Mr. Tony Bianco, Mr. John Garabedian, Mr. Sam Lipoma, Mr. P. J. Divizich and William P. Irwin, concerning the Divizich case and the marketing practices of H-M.

Very truly yours,

IRWIN AND THUESEN


William P. Irwin

WPI/ap

cc: Mr. P. J. Divizich
Mr. Boren Chertkov
Senator Adlai E. Stevenson III

IRWIN AND THUESEN
ATTORNEYS AT LAW

WILLIAM P. IRWIN
DONALD C. THUESEN
DONALD H. GLASRUO

1515 SECURITY BANK BUILDING
FRESNO, CALIFORNIA 93721
AREA CODE 209
TELEPHONE 233-4401

March 7, 1972

Mr. Scott Walker
Federal Trade Commission
Seventh & Pennsylvania Avenue, N. W.
Washington, D. C. 20580

Dear Scott:

The following information was given to me this morning by a reliable source who had an interview with Howard Marguleas:

- (1) H-M markets 4.2 million lugs of grapes - equals 55% grower product
- (2) 250,000 lugs of cherries - equals 100% grower product
- (3) 750,000 cartons of grapefruit - equals 100% grower product
- (4) 585,000 lugs of peaches - equals 95% grower product
- (5) 700,000 lugs of plums - equals 95% grower product
- (6) more than 30 million pounds of almonds - equals 100% grower product
- (7) 23.5 million pounds of dates - equals 100% grower product
- (8) 1,750,000 trays of strawberries - equals 90% grower product

Very truly yours,
IRWIN AND THUESEN

William P. Irwin

WPI/ap
cc: Mr. P. J. Divisich
Mr. Boren Chertkov
Senator Adlai Stevenson, III

PETERS & GARABEDIAN**GROWERS - SHIPPERS - DISTRIBUTORS****POST OFFICE BOX 788 :: FRESNO, CALIFORNIA 93712**

March 10, 1972

Honorable Adlai E. Stevenson III, Chairman
Sub-Committee on Migratory Labor
United States Senate
Washington, D. C. 20510

Dear Senator Stevenson:

With further reference to my testimony on January 12th, before the Migratory Labor Sub-Committee, I would like to offer, for the record, further testimony supporting my claim. As independant growers and shippers, we cannot compete with the large commercial selling agencies and/or brokers whose only financial interest is in the commissions earned and none in the product.

Many receivers or buyers, including chain stores, at the terminal market level prefer to do their buying from parties who have no financial interest in the product.

- 1 - They prefer to have no personal involvement with the party who has financial interest.
- 2 - If adjustment of price is desired of a shipment upon arrival or rejection becomes necessary because of the general market atmosphere, the selling agent who has no financial interest and is more interested in retaining his position with the buyer further enhances it by accepting the buyer's demand without any consideration for the grower's or shipper's financial damage, which usually is considerable under these circumstances.

I have been told by some Eastern receivers that they sometimes purchase more than their needs and upon arrival pick the best of their receipts and reject the balance for no other reason than their need at time of arrival.

In so operating through a broker or selling agent, the party with the financial interest absolutely loses his right of recovery or recourse resulting from improper or unsupported price discounts given to receivers by agents.

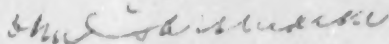
Page 2 - Senator Stevenson III

Additionally, if I did not make my point clear regarding the disadvantaged position of family farmer and corporate farmer, whom I believe can compete and live together with benefits to the agricultural community and commonwealth, versus the syndicated farming with which neither of the aforementioned can live with and compete. Once again, the syndicated farming further aggravates the marketing as a result of no direct financial control in production of the product and no financial interest or control after the product is delivered to the first handler through the entire distribution system, including the retailer.

In this "Syndicated Farming" controversy, Congressman Sisk's fear is well founded and he should be assisted in every way possible to obtain legislation to stop the practice of "Tax Sheltering" in a vital industry by every member of the United States Congress.

Syndicated farming further provokes or irritates this situation of non-interest in products from its very inception or from growth on the farm to first processor then handler, distributor or selling agent to ultimate retailer.

Yours very truly,



John Garabedian

JG/zv

Copies to: Honorable Paul J. Fannin, Senator
Honorable B. F. Sisk, Congressman

Senator STEVENSON. Mr. Allan Grant, president of the California Farm Bureau Federation, is unable to appear this morning. He has submitted a written statement for us.

(The information supplied by Allan Grant follows:)

1265

THE DEVELOPMENT OF CALIFORNIA AGRICULTURE

By

Allan Grant

President, California Farm Bureau Federation

2855 Telegraph Avenue

Berkeley, California 94705

I am Allan Grant of Visalia, California. I farm 1200 acres in the Visalia area, devoted mainly to field crops and alfalfa. I represent, as president, the California Farm Bureau Federation, the state's largest farm organization.

I am pleased to present to the committee a few thoughts representing the Federation's point of view as it may relate to your invitation to present the beneficial experience of large and small farmers, farmworkers and the consumer as a result of the agricultural pattern of development in California.

By way of introduction, it should be noted that the pattern of development which California agriculture has experienced during the last twenty years has been one of a continuing drop in the number of farm units farming a relatively constant but shifting number of acres. The result has been a steady increase in farm size. Recent figures by the California Department of Agriculture place the number of California farms at 56,000. These farms average 654 acres in size, and encompass 36.6 million acres. The trend in California is part of a nationwide trend and is expected to continue.

Larger units for agriculture have provided the base upon which the farmer-operator could afford the use of specialists in the areas of land, labor, capital and management in addition to his own expertise. In each of these areas, larger inputs have become necessary to provide an economic efficiency that other businesses have used for decades. Production can be achieved to fit the needs of the market in terms of quantity and quality. Workers benefit from longer earning periods at one location or multiple locations with relatively few employer changes. Consumers benefit from the offering of abundant, top-quality produce at relatively low prices compared to other purchased items.

Larger units need not be characterized as the "conglomerate" type of farming enterprise, operating to the detriment of other types of operations. In California, for instance, the Department of Agriculture shows that about four percent of our farms are incorporated and more than 90 percent of these are described as being family corporations -- deliberately set up to handle orderly passage from one

generation to another. This is of less occurrence in agriculture than in other industries.

At this point, I believe you already know that establishing a scale of acreage to describe large and small farming is impractical. Every farmer cannot grow a given crop. There must be the amalgamation of efficiency, capital, land and management decisions relative to the available market. The suitability of water, weather and soil of course play a large role in crop determination.

(For the benefit of the committee, I suggest that you review remarks by Don Paarlberg, director of Agricultural Economics, U.S. Department of Agriculture, before the 55th annual convention of the National Milk Producers' Federation, November 30, 1971 [identified as 5509 USDA 3957-71] in the transcript of testimony.)

A brief examination of farm income provides some insight to the reasons for this trend in farm numbers and size. Gross farm income in California has increased steadily during the past two decades, and by that measurement we have led all other states for a number of years. Net income, however, has fluctuated narrowly around the \$1 billion mark since 1951. Rising property taxes, increasing costs of feed, seed and fertilizer, increasing expenditures for machinery and equipment and higher labor costs all have contributed to what is commonly known as the cost-price squeeze. This squeeze might be more appropriately labeled the "farm people" squeeze, for as the farmer's costs continue to mount without the comparable increases in net income or production efficiencies, the least efficient are forced out of production. Price is only one part, and often overemphasized, of the farmer's dilemma.

This squeeze is not limited, however, to those farms which the modern-day physiocrats would label as the "non-corporate", "small", "family farm" producer. A recent report titled A Statistical Profile of California Corporate Farms, prepared by the University of California, reveals that while the public tends to frequently equate the larger corporate farm with high profits, the data do not support this conclusion.

The report indicates that during the 1965-68 period, an average of 2,005 active California corporations were classified as agricultural. State income tax returns for these farms indicate that of the total, approximately 60 percent reported a net profit. The remaining 40 percent reported a net loss. Carrying this point a step further, a report released in August of this year titled Education in Agriculture In California and developed by the University of California at Davis, comments that "an astounding number of larger California farms which appear prosperous on the surface are being operated under provisions of Chapter 11 of the bankruptcy laws." The report continues by stating that "unconfirmed reports place the proportion of farms in this financial situation as high as 20 percent in the central areas of the State."

Obviously the trend towards fewer but larger farm units, primarily benefits those farm operators able to remain and function as a profitable production unit. It is these remaining commercial farm units that provide the great measure of our abundance, and benefit by attaining a greater share of the dollars available.

For those who leave the land, opportunities are available. Many economists (Peter Drucker for one in his book titled The Age of Discontinuity) have expressed the thought that the transfer of marginal farmers and farm workers to urban employment has by itself probably been the largest single factor in the rise of national productivity. While statements such as these generally refer to the period of our Industrial Revolution, I am sure there is still a measure of truth in them today. One does not have to look very far to observe the stagnation that has resulted in an industry that has resisted change in terms of worker mobility.

California's farm wage rates are among the highest in the Nation, and have been running over 40 percent above the National average. But as labor has become an increasingly expensive input, California farmers have substituted increasing amounts of labor-saving machinery and equipment. As a result, many farm workers have been transferred off the farm, and as in the case of farmers just discussed,

the benefits accrue primarily to those who remain. Remaining workers are achieving and applying new skills, are becoming increasingly productive, and are earning more.

Of course the primary beneficiary of the ever-changing pattern of production agriculture in California and throughout the country has been the consumer. In 1900, one U.S. farmworker supplied farm products to 6.9 persons. As late as 1950, the figure was still less than 16 persons. By late 1969, this figure had risen to 45.3 persons. This release of farm labor to other areas within the economy is a basic contributing factor to our existing standard of living.

In addition, today's consumer spends approximately 16 percent of her take-home pay for food. Twenty years ago she spent 22 percent. It has been said that if we were consuming the same foods in the same way as we did a generation ago, our food bill would come to only 11 percent of our after-tax spending.

While some sentimentalists, others with little vision and understanding of future food needs, and still others with little use for the private enterprise system would be delighted if we could return to farming as a way of life, I would venture to say that farming as a way of life is not important to the nation as a whole. Reasonably priced and plentiful food is. The trend towards fewer farms, larger farm operations, and the concentration of land in fewer hands is alarming to some. However, we must ask ourselves, are we willing to sacrifice the benefits it has achieved?

Another area of interest is the housing need of the migrant farm labor while in the community in which he works for temporary periods.

In 1967 both state and federal legislative interest was expressed toward the California Migrant Master Plan when the California Legislature passed Joint Resolution 5 in a Second Extraordinary Session. The Resolution memorialized the Director of the United States Office of Economic Opportunity to give favorable consideration to funding California's request for more temporary housing units. Work of this very committee resulted in a recommendation to expand temporary housing

programs and Economic Opportunity funds for that purpose. Despite many errors created in haste, many workers and families were beneficially relocated, children cared for in day centers and many also benefitted from programs provided for farm workers.

The California Farm Bureau Federation has worked closely with the Migrant Housing Program since its inception with one of our staff members currently serving as Chairman of the Local Applications Advisory Board. 26 projects in 16 communities provide 2,076 units with another under construction in Kern County. The 1971 season saw some 2,700 families served and 3,300 families turned away.

A reassessment of the "critical needs" for migrant farm workers and their families while in areas of employment resulted in a determination a few years ago that 5000 units were needed. (This does not include low-rent type housing.) We are now looking at this figure in terms of the steady downturn in the number of farm workers hired over the last 5 years -- now at the rate of 4 to 6% less each year. The total of migrant farm labor housing may not be the 5000 figure, but certainly more than the present 2,076. We should probably ascertain, from a short study within California, if 1000 more units would complete the "critical needs" demand, and then set out to get the job done in the next two years.

The cost of total program connected with these "camps" is not small. However, we have been involved in arranging farmer financing for the purchase of land where County Governments did not have the resources. We believe that the program costs are small when compared to the alternatives of crisis with community health, and all of the other associated problems.

An area of concern not asked about, but which will be introduced into your hearings, is that of legal and medical care for poor people of rural California. The question of whether a poor person is only a farm worker must be discarded. There are many poor farmers and other rural residents who would qualify for medical or legal programs provided they would apply, or in fact be served by the entities presently instituted to provide the service.

Most of what we have related to you up to now has been available from statistical data provided from sources available to you and probably supplied again in detail during the series of hearings. The problems as they become manifest with people may be somewhat more moving than the mere interpretation of statistics.

The problems of the migrant farm worker, as well as the operator of a farm on which he works, are people problems. If people are poor it makes little difference whether they live on a farm or in a city. The fact is that many of the people who live or work on farms are there because they could not deal with the difficulties of making a living in an urban community.

In the area of medical care, for instance, the California Farm Bureau Federation tried, more than 12 years ago, to find a solution by working with the various medical groups toward a pre-paid health insurance program. We ventured into the field of the "full time" farm employee with a pre-paid health program better than that afforded the Farm Bureau member. We are now initiating a "seasonal farm worker" pre-paid health program that farmers can secure for their short term employees.

Recently some representatives of the clergy have become interested in the farm worker. We have tried to work with leaders of various churches and major denominations in providing services to this group. But we have found that our views do not always coincide with those of the clergy.

We have been surprised to find men of the cloth active in sponsoring compulsory unionism and have found them encouraging their members who operate and own agricultural operations to deal with unions and incipient farm union organizations. Sometimes we are puzzled about the approach they take, particularly when we read in the news media about the refusal of the church to treat its own employees as they think we should treat ours, but we presume that that is something they will have to work out internally. (The San Francisco Catholic school employees' strike late in 1971 is an example.)

The problems of legal assistance to the migrant or eligible poor who are residents in our midst are many. Unfortunately, their needs remain unsatisfied, due to the inadequacies of California Rural Legal Assistance, Inc. We are distressed by the direction which some of the legal service programs have taken.

More precisely, we are distressed by the indirection of those programs and the lack of administrative supervision and oversight. We are concerned by the lack of administrative definitions and accurate descriptions of the areas of responsibility of these programs.

It is very distressing to find that federally sponsored and taxpayer-supported legal service programs are unable to find time to help the rural poor people who need help with bankruptcies, dissolutions of their marriage relationships, and such other sometimes called mundane matters, while at the same time the attorneys employed by these programs and supported by the taxpayers are able to spend endless hours working with non-rural convicts.

It is undoubtedly true that some prisoners have need of legal assistance, but as between those people who are in prisons and those who are out and struggling to keep their heads above water or to establish or reestablish family situations, we find considerable sympathy with those who are outside the prisons.

We have heard the employees of these programs testify that they did not have enough time to help with adoptions and marital problems. They know how busy they are better than anybody else, but we are very unhappy when we find those same attorneys or others supported by the same programs at work outside the area of their obligations.

In conclusion, I wish to thank you for inviting the California Farm Bureau Federation to provide a general overview of California agriculture, and for allowing me to interject the needs and desires of those concerned.

CALIFORNIA MIGRANT SERVICES
SEVEN-YEAR SUMMARY

The California Migrant Master Plan designed to provide; housing, day care, health services and education to migrant farm workers and thier families during the time they were traveling away from their permanent residence and seeking employment in agriculture. This program was first funded by Title III B of the Economic Opportunity Act in March 1965.

The initial grant provided funds to construct 1,000 housing units and related facilities. By the end of the 1966 harvest season, 953 units had been constructed and occupied by 1,652 migrant families consisting of 8,545 persons.

The type of housing unit first used was constructed of polyurethane sandwich panels, cost \$500 per unit and was expected to last for five years. The living unit was equiped with a sink, beds, tables, chairs, electric cooking unit and lights.

The program has been funded each year since 1965 by OEO and the State of California. Additional housing units have been constructed in major agriculture areas throughout the State. In each new project constructed, there have been improvements made in the housing units. As of December 31, 1971, twenty-six projects have been completed in 16 agricultural counties. The number of housing units is 2,076 with one additional project under construction in Kern county. The original plydom units have been replaced

with plywood units. Total number of houses build by the program including replacements is 2,841.

During the seven years the program has operated, more than 14,000 families, 75,600 people have been served by the program. During the same period of time 19,432 families have been turned away. The annual average number of children, ages two to five enrolled in the day care programs, has been 2,000. The number of persons receiving health services each year has been 5,000.

Total funds expended on the program since 1965 has been approximately \$28 million. Funds have been derived from the following sources:

- Office of Economic Opportunity Title III B
- State of California General Fund
- Health, Education & Welfare Title IV A
- U. S. Public Health Service
- Elementary & Secondary Education Act Title I
- Local Government

Senator STEVENSON. Our next witness is Mr. Chester Deaver, master of the California Grange.

I would appreciate it, Mr. Deaver, if you would identify the persons who will accompany you for the record.

Mr. DEEVER. Thank you very much, Senator.

On my left is Mr. Herman Grabow, the legislative advocate for the California State Grange.

On my right is Mr. Bill Geyer of California Research Consultants, whom we employ as a consultant, both in economics and legislative matters.

Senator STEVENSON. If you have a prepared statement, you are welcome to summarize it if you would prefer, and we will enter it in the record; or, you are welcome to proceed by reading it.

STATEMENT OF CHESTER DEEVER, MASTER, CALIFORNIA STATE GRANGE

Mr. DEEVER. Mr. Chairman and Senator Taft, I am sorry that we were not able to occupy our appointed time on the agenda, but fog conditions and other factors made it difficult this morning. We have a prepared statement I would like to read for your benefit.

As master of the California State Grange I feel a heavy responsibility in coming before your committee. The Grange is California's oldest and second largest general membership farm organization, and one whose principles and activities over the years have earned it the reputation of being the spokesman for the small or family farmer. Although the title of your subcommittee indicates a primary concern with farmworkers, your hearing announcement indicated that you have come to California as part of an investigation of a much broader topic: The quality of rural life, with particular emphasis upon public policy and current developments related to the size and control of farm operations.

At the risk of belaboring the obvious, I think it might help to get some semantic problems out of the way at the outset. First, while the Grange includes and values among its membership many individuals who own and operate part-time or retirement farms, our reference to the family farmer is to a full-time independent farm operator utilizing the latest agricultural technology and outside capital and labor as necessary to maintain an efficient production unit within the mainstream of commercial agriculture. To fail to make this distinction is to risk masking inequities in commercial agriculture under the convenient fiction that they are attributable to the desire to pursue an obsolescent way of life. In short, the Grange believes that the family farm is a viable part of the agricultural economy, that the part-time farm is a viable part of rural society, and that confusing the two is a disservice to both.

On the other hand, many of the catchwords used to depict California's agricultural giants are also often lacking in clarity. The term "large" as applied to farm size often is used to refer to acreage, but total capitalization, or production values, are probably more useful indices. Likewise, a corporate farm can be of any size. Many of California's farm giants had family beginnings and remain under family

control, and corporate organization is not unusual even among smaller family farms. Vertical integration is frequently used to refer to top-down integration, or the control of production facilities by firms engaged in the processing or retailing of farm commodities. However, from a technical standpoint the term is equally applicable to bottom-up integration in the form of producers acting independently through roadside stands or through processing cooperatives to profit from nonproduction activities. Some large farms are diversified conglomerates, where the agricultural enterprise accounts for only a small portion of total corporate earnings and which may or may not be food oriented. Some conglomerates have grown from farms and others have acquired farms. Some farming operations exist primarily to pay the holding costs for land speculators, but almost every farmer in California, large or small, has the opportunity to realize a profit from rising land values and at least the theoretical possibility of making a killing through the sale of his land for a nonagricultural use. Likewise, the term "tax shelter" is commonly applied to investments of nonagricultural income in agriculture, but could also be extended to include the common accounting practice on family farms of treating personal residential and transportation expenses as farming expenses. Here again, the imprecise use of terms can impede communication.

Secondly, as proponents of the family farm in California I think we must point out that we are not against large farms or bigness per se. The real problem of production agriculture in this State and in this country is that farmers are the weakest link in the food production and marketing chain in terms of economic power. What agriculture needs more than anything else is the power to pass the costs of a decent living for farmer and farmworker alike on up the marketing chain to the ultimate consumer, the way other participants in the chain do as a matter of course. From our standpoint, farmers are actually subsidizing the consumer, rather than the reverse. Only through "green power," the creating of concentrations of economic power at the production level, can this "man bites dog" story be corrected. Therefore, we actually welcome the leadership that large agricultural concerns can provide, while being vigilant against the possibility that other production facilities, large or small, can be manipulated in such a way as to undercut the "green power" principle. We believe California farmers are the most efficient in the world, but too often the beneficiary of this efficiency has not been the farmer himself. We must make it clear that a prosperous rural society will be based, first and foremost, upon the willingness of the American public to tolerate both the political measures that may be necessary to make green power a reality and the ultimate demands it may make upon him in the grocery store.

How can farmers achieve green power? The large farmer can sometimes get it for himself through his sheer size or through integration arrangements with stronger segments of the chain, although any weakness among his smaller fellow producers will operate to limit this ability. The family farmer must achieve green power by simulating the attributes of bigness through cooperative organizations, governmental assistance, or a combination of these or

other factors. Cooperatives can be organized for either bargaining or processing purposes, and governmental assistance can take the form of encouraging and protecting such organizations, authority for self-help marketing programs, basic commodity supports, including Government purchases, and technological assistance.

We would particularly like to commend to your attention pending proposals by Congressman Sisk of California and Senator Mondale of Minnesota that would protect farmers in their efforts to bargain effectively with the purchasers of their products. The Sisk bill authorizes the administrative designation of bargaining cooperatives with a history of representing producers as the exclusive agent of all producers of a particular purchaser. The Mondale bill employs a framework similar to the National Labor Relations Act to permit farmers to determine their representation for bargaining purposes. We are particularly interested in the Sisk bill because of its California origins and because it appears to have the better chance of passage. We would like to see it amended so that the representation decision is made by producer vote rather than administrative determination, but, above all, we would like to see Congress recognize and reinforce the right of producer organizations to bargain effectively for their members.

It is not possible to speak of farm bargaining without raising the so-called farm labor problem. If our analysis is correct, the root of the problem is that farmers and farm workers have been forced for years to quarrel over a share of the pie that is too small to feed both. Our belief is the efforts to unionize farmworkers constitute a parallel development to the green power revolution and are inevitably tied to the success of that movement.

The California Grange cannot consistently advocate governmentally protected bargaining organizations for farmers without being willing to extend similar protection to organizations representing farmworkers. However, for the same reason that we are insisting that the selection of farmer bargaining representatives be democratic in nature, so we believe that farmworkers should be granted the same rights with regard to the selection of their own representatives. Where Government sanctions are concerned, no organization can be permitted to hold itself above the control of those it represents, particularly if such representative status may be conferred without the consent of each individual represented.

The California Grange accordingly supports the extension of the principles of the National Labor Relations Act to agricultural employment at both the State and Federal levels. A more orderly procedure for labor-management relations in agriculture should benefit all concerned, the farmer, the farmworker, and the general public.

A concomitant development now underway in agriculture that the Grange desires to encourage is the professionalization of farm employment. We view mechanization as an important step in this direction because it currently tends toward the elimination of the least desirable jobs in agriculture, those that are physically arduous or unpleasant, and/or highly seasonal, and to upgrade the remaining employment opportunities in terms of skills and pay. We think that improvements in technological efficiency are good for agriculture and

the public, too, and would be reluctant to see efforts at unionization or agrarian reform function as impediments.

Beyond changes in occupational patterns, however, we think that extension of the full range of social benefit programs to farm employees is also a prerequisite to professional status. The California Grange would like to see the whole range of employee social insurance programs guaranteed to farmworkers by the Federal Government so that agricultural employers in all States would be on equal footing in this regard. However, the California Grange will continue work for state legislation to achieve a professional labor force. In California the last remaining benefit denied is unemployment insurance. In 1971 we engaged in a limited alliance with organized labor to pass a bill extending jobless benefits to farmworkers. Unfortunately, the bill was vetoed by the Governor on the argument that it would be inappropriate without Federal legislation. We would urge you to see that Federal legislation to extend unemployment insurance benefits to farmworkers does pass this year and that these benefits be interchangeable with and extended under the same rules as those earned in other industries. We believe there may be some need for reforms at the bottom end of current unemployment coverage programs, but think that any necessary changes should be made across the board and not be confined to agriculture.

We also are opposed to any abnormal exemptions for small farmers. It is our view that the small farmer may have the greatest need for coverage by public social insurance programs since he is least able to manage the assemblage of a comparable set of private benefit programs for his employees.

Finally, we think a variety of additional social programs are desirable in rural areas. A recent series of newspaper articles on child labor in agriculture serves as a good example. In the first place, the jobs in which children still are found are those of the type that mechanization is gradually eliminating. Second, children are normally in the field at the insistence of their parents on sufferance of the farmer and may actually impede production work. We think the real answer is to provide better child care and educational facilities in rural areas rather than the prosecution of farmers. A long term answer must also include higher earnings for the working parents, although in the short run higher hourly wages may actually aggravate the problem because the families involved are likely to be among the more marginal members of the farm labor force in terms of annual employment.

The benefits of social service or economic development programs in rural areas will in many instances flow beyond farmworkers to the general rural population who have traditionally suffered from the effects of rural isolation. We would only caution that any proposed programs not bring with them the ills of urban life that rural residents have in many instances deliberately attempted to avoid.

I have previously made passing references to the dilemma of size and the juxtaposition of the advantages flowing to small farmers from the leadership of large farmers with the disadvantages in circumstances when large farms consciously undermine the "green power" principle. A proposal has been recently made by Senator

Nelson of Wisconsin to limit the participation of large or outside interests in production agriculture. While we have not given sufficient consideration to this complex proposal to take a position on it, we are sympathetic to the basic theory enunciated in antitrust principle that competitive independence of various segments of our economy must be preserved, provided that it does not interfere with the traditional exemption of farmer cooperatives acting in pursuit of green power and provided that it is not perverted into a "cheap food" policy under another name.

As I have said before, food is already relatively cheap, perhaps too cheap, and through technological advances production agriculture will continue to make improvements in efficiency which will be passed on, at least in part, to the consumer. At the same time, in the absence of public support for green power, agricultural production may become increasingly limited to those individuals or firms who can afford to subsidize the consuming public out of nonproduction income from other sources. In short, a long-term "cheap food" policy may require production units that can tolerate losses over time for reasons unrelated to production economics. The question of whether, once consolidation is accomplished, food will continue to be cheap is the classic dilemma of monopoly theory. Our belief is that "green power" may be more expensive for the public now, but cheaper in the long run.

We would like to close by offering for your consideration a new concept for application to current Government programs relative to commodity marketing and resource development for the purpose of preserving the independent family farm. The rhetoric of Government farm programs is almost always directed at this objective, but the performance frequently leaves much to be desired. Usually the difficulty can be found to lie in the fact that all production is treated equally, and that protection which is either barely adequate or inadequate for the smaller production units relatively over protects larger units. Existing limits on participation in Government-sponsored benefit programs have been based on concepts of size (such as the 160-acre limitation) that are both inflexible and obsolescent, historical production patterns which do no more than perpetuate and capitalize existing production patterns, or payment limitations (such as the \$55,000 limit recently imposed by Congress) which have little demonstrable relationship to anything other than the political need to cut down on highly visible allocations of public funds to large corporations.

The concept we propose is called the "farm base unit". This unit would be defined on a commodity by commodity basis as the unit of farm operation above which no significant economics of scale would be realized, and which, postulating a normal cropping pattern and prudent management, would yield an adequate return to the independent farm operator. The standard we propose is extremely flexible. It is capable of application on an individual commodity basis, or to farms or farm land with typical commodity patterns, and it can also change from year to year as production and price changes occur. The concept also contains built-in regulations to protect both the public and the farmer. The optimum efficiency standard protects

the former while the income standard protects the latter. Research done on this subject by the University of California in the past indicates that the establishment of scientifically and economically defensible farm base units in terms of either production volume or acreage is within the capability of research personnel if no more than rough accuracy is required of the final product.

The initial application of the farm base unit concept would be as a tool to disassociate the production of the base units in question from carrying the burden of surplus production normally occurring in those commodities for which public programs are necessary. In California we have proposed that supply management marketing orders allocate returns first to production from farm base units, with remaining returns being pooled among excess production. A possible corollary in market promotion orders would be to assess a higher per unit cost to excess production than to farm base unit production. The same principles should be made available under the Federal orders allocate returns first to production from farm base units, with the farm base unit would be an optional provision and would require the usual affirmative vote of producers by number and volume.

In basic commodity programs the farm base unit could be substituted for the current \$55,000 rule as a method of limiting support payments and production in excess of the base unit could conceivably be decontrolled and placed on a free market basis. This might accomplish the twin objectives of limiting the exposure of the public treasury and returning an increased percentage of agricultural production to the open market. Finally, the farm base unit would be an obvious improvement over the 160-acre limitation in water development law and could be incorporated into tax and antitrust laws as a yardstick to measure the scale of agricultural operation entitled to public preference. The major difficulty with the farm base unit concept will be the administrative problem of policing the paper division of excess production units for compliance purposes. However, this should be no worse than the similar problems posed by the 160-acre or \$55,000 payment limitations and could be eased by the fact that as proposed the effect of the distinction may be in many cases relative rather than absolute.

To conclude, the California Grange stands for a pluralistic rural economy and society, one that has room for both the retirement farm and the corporation farm, but one in which the efficient, independent family farm operator is more the rule than the exception. We think that a greater effort needs to be made to bring all rural residents into the social and economic mainstream. However, we do not believe that commercial agriculture can or should bear a responsibility greater than that dictated by intelligent manpower utilization. We do not see a need for wholesale agrarian reform in California, but we do see the need to encourage new opportunities and options, particularly for the disadvantaged, and measured control of bigness when it threatens to become counter productive. Finally, we urge upon the general public, and you as their chosen representatives, to understand the necessity for accepting the short-run costs that "green power" presupposes in order to achieve the anticipated long-run benefits.

Senator STEVENSON. I thank you.

Mr. DEEVER. We are happy to have had the opportunity to appear and submit our brief, and we have great encouragement in persons such as yourself and Senator Taft that you come to California and learn for yourselves.

Senator STEVENSON. We are very grateful to you and you have been a big help to us, Mr. Deever. I think your farm base unit idea is a very interesting one. What is the attitude of Tenneco and the other large corporate farmers towards that proposal?

Mr. GEYER. Well, in fairness, this has not yet been introduced as a bill in the California Legislature so it really hasn't become a political issue. The attitudes of large production facilities might be similar to whatever attitudes they may have expressed about the \$55,000 limitation, which is a somewhat similar issue.

Senator STEVENSON. They don't have much trouble evading the \$55,000 limitation; do they? They don't in Kern County, I gather. I don't know about Fresno County. I haven't heard as much about it as I have about Kern County lately. I was thinking they might have more concern about your proposal.

Mr. GEYER. As it is proposed for the California Marketing Act, it contains a considerably limiting internal constraint and that is that all marketing order revisions have to be approved by the majority of the producers by number and by volume.

Senator STEVENSON. Tenneco is one producer?

Mr. GEYER. It would be one producer but it has larger volume, so really the unit would have to be selected in a size that would permit the marketing order to get approval both by the majority of the commodity produced and the majority of the producers of the commodities. For that reason the farm base unit is meant to be a somewhat flexible standard and that the politics of acceptability in the particular marketing order may enter into the establishment of the unit for that commodity if it were to be implemented.

Senator STEVENSON. We have had a great deal of concern expressed in these hearings about the nonenforcement of the 160-acre limitation of the Reclamation Act.

Do you believe that Congress should consider a variable acreage limitation instead of the rather rigid and perhaps archaic 160-acre limitation?

Mr. GEYER. I think that is clearly one of the reasons that the 160-acre limitation has fallen upon such disuse. One hundred and sixty acres may be more than enough for a good commercial operation in peaches or something like that, but it clearly falls way below the requirements of some of the row-crop commodities.

The University of California did a number of studies on this 4 or 5 years ago when the limitation was a political issue and they came up with varying levels that constituted the optimum economic-efficiency units. In most commodities and under most cropping practices these units were substantially larger than 160 acres.

It is our feeling that the development of a more sophisticated approach to this problem, with a variable system relative to cropping patterns, and soil conditions, and water availability would almost have to accompany any real effort to revitalize the 160-acre princi-

pal. I think it has fallen upon disuse because it is arbitrary and obsolescent.

Senator STEVENSON. I believe in connection with the comments about syndicate farming and the large corporate farmers Mr. Deaver alluded to the speculative possibilities of land ownership as one of the inducements to some people to farm. What is happening to land values? I was surprised to hear from one witness yesterday that in the last couple of years San Joaquin Valley land values have been going down. That was the first time we encountered that opinion in our hearings. So far we have gotten the impression that everywhere, all across the country, for all kinds of land, but particularly rural land, the values have been skyrocketing—going up.

Mr. GEYER. There was a general speculative boom in rural land values almost across the board in the early sixties in California. It has been leveling off more recently and particularly in some areas such as the San Joaquin Valley; for example, where the main cash crop is cotton—cotton has been an extremely depressed commodity for the last 3 or 4 years—and where there have been some problems in other commodity areas. The difference between a market value and a farm income value on San Joaquin Valley land is not that great. If you heard testimony on the Williamson Act yesterday, you may have heard that the spread there between a use value assessment and a market value assessment on prime land is not too great in many instances, and when you drop some of the prime cash crops like cotton out of the bottom of the income picture, you are likely to get a sufficiently depressed economy and a drop in land values. I think most speculative investors, unless they are in an urban or urbanizing area, are long-term investors and the investment is related to the tax conditions that they find themselves in, in their own personal income situation. One of the points of our presentation is that the extent that you find this kind of investor taking over the farming business more and more, it is going to be because of the failure of the country to face up to the needs of the green power revolution as we term it. That is, we may be creating a situation in which the only people who can produce in California are the people who can afford to lose money producing—

Senator STEVENSON. Or maybe want to?

Mr. GEYER. That's right. You could have an agriculture dominated by the people who have extraneous reasons for losing money in agriculture production.

Senator STEVENSON. Over all, that is pretty clearly what is happening; isn't it? We not only have just the invasion of those people into agriculture, but the rate at which land values over the last 10 years has substantially gone up, and the cost of farming generally has gone up, including the cost of credit and equipment, the rate of return on investment has gone down pretty significantly in the last 10 years; hasn't it?

Mr. GEYER. You have to preface any conclusion like that with commodity-by-commodity and area-by-area analyses, because there are differences.

Senator STEVENSON. It is a fair generalization; isn't it?

Mr. GEYER. On a statewide basis, I think that is correct. Net income as a percentage of sales—

Senator STEVENSON. Investment?

Mr. GEYER. Probably even more in terms of investment, although those figures are harder to come by.

Senator STEVENSON. Mr. Deaver, are you farming now? Are you, like me, a farmer?

Mr. DEEVER. I have my ranch but I am not farming. I am just trying to pay the taxes.

Senator STEVENSON. That is kind of the way I farm, too. I am afraid. I spend a good deal of my time in Washington. But you have been a farmer. Can you tell us when you first got started farming in California?

Mr. DEEVER. Yes, Senator. We moved from the East to California in 1917 and my father and seven boys and my one sister began farming not too far from where we are here in a little town of Sanger, just 15 miles from this location. We were farming under conditions that were quite conducive to attract people to the rural section of the country and work for themselves. But of course those conditions have changed, and where we assess the blame no one knows. We have multiplied ourselves in numbers and we got busy maybe in other avenues, and we developed an affluent society. And some of the things that we could and should have been continually watching we lost sight of, and we now have situations and circumstances that do not lend themselves to the best interest of developing the nation or continued progress. This is why I am happy that someone from the seat of our national Government can come into the rural sections of this great nation of ours and make a survey and take some evaluations.

Senator STEVENSON. Did your family buy land when they first settled in the Sanger area?

Mr. DEEVER. We rented land.

Senator STEVENSON. But you ended up at some point buying farm land?

Mr. DEEVER. I ended up buying land on the coast.

Senator STEVENSON. How long ago was that?

Mr. DEEVER. In 1928 I moved to the coast.

Senator STEVENSON. That still seems like a long time ago to me. I hadn't even been born.

How much did farm land cost in 1928?

Mr. DEEVER. Are you really looking for that now?

Senator STEVENSON. Can you remember?

Mr. DEEVER. Yes. In 1933 I bought land for \$100 an acre.

Senator STEVENSON. That was partly as a result of the depression and its effect?

Mr. DEEVER. Partially, yes.

Senator STEVENSON. You and your family have been in farming for a long time. We were talking a moment ago about how this last 10 years the farmers rate of return measured against the income or investment had gone down. Haven't there been a lot of other changes in rural America? Will you tell us a little about the quality of life around Sanger, on the coast, in rural California, and some of the changes you have seen in the course of your lifetime.

Mr. DEEVER. Oh, I think you do a disservice to a great country when you condemn things. I think we live in one of the greatest countries of the world.

Senator STEVENSON. We all agree with that and we want to make it better.

Mr. DEEVER. And we can make it better. There are opportunities for improvement, and many of those opportunities rest now more readily in the rural sections of our country. We need to find some method to induce or entice people to come and live in the rural sections of this great country of ours. The opportunities for their livelihood do not rest in the metropolitan and urban sections. When they move there they just compound a problem that is already too large.

Senator STEVENSON. They may not have an opportunity in urban or in rural America at the moment.

Senator Taft, do you have any questions.

Senator TAFT. Thank you, Mr. Chairman.

Mr. DEEVER, you suggest the application of the National Labor Relations Act to farm labor situations. Do you also advocate the application of secondary boycott provisions of the act?

Mr. DEEVER. Well, I think when you talk about secondary boycotts you are talking about secondary boycotts and secondary boycotts. Yes, I think there is some application for some protection in that area.

Mr. GEYER. Senator, I think one of the problems of this whole secondary boycott issue is that the type of boycotts that have been conducted by the United Farm Workers organizing committee or conducted by their friends, are boycotts that we have felt would be very difficult, very difficult for any law to reach. There is a lot of feeling in California that California law cannot effectively deal with the secondary boycott and therefore that there must be Federal law on the subject. I think farmers generally would like to see a greater control exist over this weapon. But what I call the third party or the consumer boycott is a very difficult thing to write legislation to police because the moment you begin to tell someone that it is all right not to buy grapes at a supermarket, but it is illegal for the housewife to tell the supermarket why she isn't buying the grapes, you are getting pretty close to a free speech problem. I think probably the Grange's view on secondary boycotts is, yes, we would like to see secondary boycott provisions of the National Labor Relations Act extended to farm labor organizations as they apply to all other organizations, but this doesn't mean there may not continue to be some kinds of boycotts that are going to be very difficult for any type of legislation to reach.

Senator TAFT. Do you view consumer-type boycotts as being outside?

Mr. GEYER. Well, I think constitutionally it is going to be very difficult to draw statutory language to limit that and I think that the real remedy for a boycott is to bring the whole labor organization process itself within the framework of government supervision. And I think perhaps the need for boycotts as a weapon and the interest of labor organizations in using boycotts as a weapon may decline as this occurs.

Senator TAFT. In regards to the farm base unit, a concept which I also find to be very interesting and one that I think bears a good deal of additional study, you suggest it might be used in lieu of the \$55,000 exemption or whatever limitation is placed subsidy payments for the support crops. Particularly in view of your suggestion that those who are in excess of it really would be outside the support programs, wouldn't this be likely to create a glut on the market? The argument against the \$55,000 limitation or any limitation in these crops has always been, that it would result in producers outside of the support program flooding the market with additional produce? Would your suggestion on the farm base unit avoid that problem in any way?

Mr. GEYER. I think there are a number of ways that you can apply the farm base unit concept to a commodity program. I think we suggested here that it might prove to be possible in some commodities, some of the basic commodity programs to actually decontrol that segment of the commodity market that falls outside the limitations. This would create a two-price system or a situation where the Government would engage in protecting only that amount of the production that was attributable to the farm-base unit and guarantee a price on that amount. While the remainder of the commodity could move in the free market.

Senator TAFT. You don't think that this would result in creating large surpluses from the farm-base unit production?

Mr. GEYER. Do you mean from the farm-base unit side of the production or from the free market?

Senator TAFT. You wouldn't buy it from the free market; you would have to buy it from the farm base unit section of the market but you presumably would be buying it at a lower price or you would be supporting a bigger difference between the support price and the market price.

Mr. GEYER. That could occur, to the extent the public was buying a large amount of product at prices greater than the free market prices. Then it might be necessary for the Government to reevaluate its position as either to the size of the units it was protecting or to the spread that it was supporting. I think it is a question of strategy. It could be done without decontrolling the entire production. Production control is normally managed on the basis of controls relating to particular farmers. The farm base unit cuts across that but it could be married to the production history approach. You could have a limitation which combined a farm base unit concept with a historic concept.

Senator TAFT. Does the farm base unit concept have any advantages that you can see with regard to international competition and the various support crops and even other crops?

Mr. GEYER. I think this is in some degree what a lot of other nations are doing to us. They protect their domestic market and they subsidize their export market. If the majority of the so-called excess production we described went to export we might actually turn out to be more competitive in the export business. This isn't completely unprecedented. There are features of the cotton programs, for example, which are similar to the concept we have been describing as it relates to export markets.

Senator TAFT. Thank you very much.

Senator STEVENSON. Would you care to add something, Mr. Grabow?

STATEMENT OF HERMAN GRABOW, DAIRYMAN, CALIF.

Mr. GRABOW. Mr. Chairman, the first statement I make is going to be very interesting to Senator Taft. I well remember when I went to the University of Minnesota. President Howard Taft came there and spoke at convocation, so you see, I have been around a long time.

I have to apologize to any dairymen in the audience. I forgot my bell. I was a Grade A dairyman for 30 years. I usually carry that around, I don't know why I didn't bring it today.

Now the farm base unit. You know, when I was in the dairy business, grade A, at that time the distributors told the producers this is the amount of milk we are going to take and pay as grade A and you had better like it or not, and the Grange was the general farm organization, it took 10 years to get the Milk Pooling Act in California, and today it is almost the other way around, and this is the way I look at the farm base unit. If we get the farm base unit in, no longer will the producer be at the mercy of the big boys. I think then we can have a decent kind of life and we can work decent hours and have a decent income.

Senator STEVENSON. Thank you very much, Mr. Grabow.

You are right about the influence of the dairy producers. They have been conspicuous in Washington recently too, but we won't go into that.

I thank you, Mr. Deaver, Mr. Grabow, and Mr. Geyer, very much for joining us this morning and for helping us in this series of hearings.

We will now recess for lunch and reconvene at 1 o'clock.

(Whereupon, the subcommittee recessed at 12:40 p.m., to reconvene at 1 p.m.)

AFTERNOON SESSION

Senator STEVENSON. The meeting of the subcommittee will be in order.

We will next hear from Mr. Gus Stamenon of Livingston, Calif., and the farmers who are accompanying Mr. Stamenon.

Mr. Stamenon, I would appreciate it if you would identify for the record your companions.

Mr. STAMENON. My name is Gus Stamenon. On my left is Mr. George Thayer from Winton. On my right, Martin Anderson, Hilmar, also a small farmer.

Senator STEVENSON. Mr. Stamenon, we would be glad to have you summarize your written statement and if you do, we will enter it into the record; otherwise, feel free to read it.

Mr. STAMENON. I will just go ahead and read it as it is.

Senator STEVENSON. All right.

STATEMENT OF GUS STAMENON, LIVINGSTON, CALIF.

Mr. STAMENON. My name is Gus Stamenon. My wife and I own and operate a 40-acre almond and walnut orchard at 3349 North Lincoln, Livingston, Calif.

We purchased this semideveloped farm some 26 years ago. This is where we made our home and raised our three children. We developed the land to the point where we can breathe a little easier in a sense. I could not have accomplished this without my wife's income from a small business in town.

I will not bore you with the details of how as most people are aware of the small farmers' economic plight. A stranger driving down my road would say, "now this man has his donkey tied up". He is right to a small degree. While we are not swimming in wealth, we are at least assured food and a comfortable roof over our head on a yearly basis. My wife and I are rather proud of our accomplishment, considering the start we had. Nothing but our youth and ambition and a bulldog determination. Oh yes, we traveled the same old beaten path of hard knocks only the word "quit" did not exist in our lexicon, so we plodded on. We raised our children to be good citizens, we paid taxes and our obligation, we sent our son to serve our country.

Finally we managed to get out of the jungle of hard knocks by life's late afternoon into a small clearing with a small creek running through from the distance. It looked peaceful and inviting; however, our hopes of rest for tired bodies, food and drink for our stomachs were dashed for we found the creek contaminated, the food and air poisoned, and the clearing full of debris as a result of modern technology. Beyond the clearing we can see a huge machine, like a corn chopper only this one a thousand times larger, and it is chopping and swallowing everything in its path. This colossus has and is reducing whole communities into ghost towns and proud men and whole families into poverty and destitution. It is headed straight for us and our kind in the name of progress, with a sign on it that says Multination Corp. property.

I beg the committee's indulgence to bear with me for I am not versed in writing statements or speeches. I am only a farmer and since this committee granted me the privilege and opportunity to state my grievances, I will narrate briefly and to the best of my ability the things that have been griping me of late.

My Government taxes me to the extent of confiscation to subsidize and create favorable conditions for vertically-integrated corporations. For example, our land-grant colleges where our tax money enables them to create new harvest machines and labor-saving devices on the pretense of efficiency. I cannot understand how such methods can benefit the community when they replace working men who must have food and shelter regardless if they work or not, hence our ever-increasing welfare rolls and burden for those of us who are still able to pay taxes. After all, gentlemen, each man, be he a farmer, businessman, professional, or a working man, is working for the needs of others. If one segment of our people is deprived of its purchasing power, eventually we all suffer.

During the late President Kennedy's administration, an organization which calls itself the Committee of Economic Development and consisted of 200 heads of the biggest corporations in America decided that there was a surplus of farmers, not commodities. Since these corporations control practically everything, it isn't hard for one to

visualize how these corporations can force a rural migration to the urban areas. Close to four million farmers and farm workers were forced to leave the farms. In addition to this, the large corporations were sibernating at the time and laying off close to a million skilled workers a year. Also, there were young men and women coming out of school at the rate of one and a half million a year to join the abundant labor forces. Hence, our riots and burning throughout the country in the 1960s.

My Government taxes me and people like me to support a military industrial complex which squanders billions every year on the pretense of containing communism. If some of that money can be used to create opportunities where a man can earn a decent living then there would be no need to fear communism.

When generals and admirals retire they are immediately offered employment in defense industries with a substantial salary and, of course, with a fancy pension, free medical and hospitalization, and obtain provisions at the PX and at discount prices. Yet, we who pay for all of this are denied such medical privilege on the grounds that it is socialistic.

My Government taxes me in order to underwrite multination corporation losses in the event political situations change and their properties are nationalized abroad. Yet, the same corporations, we are told by the news media, pay no comparable taxes. My Government not only takes our money but our sons, too, to fight an unpopular war on the pretense of helping the Vietnam people to have self-determination. Sorry, but even an old codger like me can't swallow that yarn any longer. I believe our sons' lives and our money is spent over there to make conditions favorable for international oil corporations to obtain favorable oil concessions from the corrupt government of South Vietnam, which my money helps support.

I am being taxed to build dams and canals in California for the storing and transporting of lifegiving water for heavily-populated regions of southern California. A very noble project indeed; however, this water, which is destined for public use in the Los Angeles area, on its journey there is being siphoned in Kern County to irrigate vast land holdings of the multination corporations in violation of the reclamation and 160 acre limitation laws of 1902.

Furthermore, our Department of the Interior is encouraging the development of these new lands and, in the same breath our U.S.D.A. is paying subsidies to retire land that is already developed and in production. It just doesn't make sense. It's like giving your opponent in a fight a pair of brass knuckles to better clobber you with. Because these conglomerates have planted thousands of acres of specialty crops, such as peaches, grapes, apricots, almonds, walnuts, and so forth. Now, my bone of contention is this. What will happen to me in my late years and to thousands like me, or the entire economy in the San Joaquin Valley for that matter, when these specialty crops come

into production in 3 to 4 years and are dumped on the already clogged market?

My wife and I worked hard to develop and build our farm and home with a modest income for our children and for the inevitable day of old age. We managed to accomplish this against minimum credit, high cost of operation and living, high taxation, unfair competition and disparities, and because of the farmers reluctance to organize others dictate the price we receive for our crops. With all these odds against us, we managed to keep our heads above water. In this late day we find ourselves facing a more formidable and grim competition from vertically-integrated multination corporations, such as Tenneco, Standard Oil and others whose sole aim is for manipulation, tax evasion and the control of the food industry in the country. Our chance of competing with such industrial Goliaths are very slim indeed, when their annual revenues exceed that of many States, two and a half billion in 1970.

Furthermore, our Government has been, for the last two decades, and still is, subsidizing and encouraging such industrial giants in the name of progress and efficiency. What good is corporate progress and efficiency when it reduces free man into serfdom to be a voiceless cog in the corporate machinery and others to poverty and deprivation? This is the corporate state that is leading us down the path of feudalism. Which we are supporting, against our wish, to give our sons and treasure to defend it in foreign lands to further enrich and condition the area for the power-hungry international corporations to exploit and oppress the poor people of that area, whose only crime, like ourselves, is to earn a living with a feeling of accomplishment, pride and dignity and be a burden to no one for the duration of our visit on this earth.

Now, may I be permitted to mention a remedy or two to ease the farmers' financial pains.

1. To close a large loophole, separate taxes for farm and business, this will eliminate tax evasion by large and small business and professional people.
2. Restore 100 percent parity on farm commodities. Existing parities now are 67 to 68 percent.
3. The farmer should be allowed cost, plus a reasonable profit like the rest of our economic structure, as the National Farm Organization advocates and of which I am a member.

And may I also add, I heard someone mention about land reform. What is wrong with land reform where our young men can get out there and take the place of us elders when we have to leave the farm eventually. I am all in favor and all my friends in our area are in favor of this reform that they call National Coalition for Land Reform.

Thank you, Senator.

Senator STEVENSON. I thank you, Mr. Stamenson, for a strong statement and obviously from the heart, and I assure you it is because of the concerns that you have expressed that we are here today and holding this hearing.

Before we come back to you, Mr. Stamenson, I would ask if either Mr. Anderson or Mr. Thayer have statements which they would like to make at this time.

Senator STEVENSON. Mr. Thayer.

STATEMENT OF GEORGE THAYER, ALMOND GROWER, MERCED COUNTY, CALIF.

Mr. THAYER. Thank you.

I am a family farm owner, an almond grower in Merced County, and I would like to comment on those factors that tend to destroy my ability to function successfully in our so-called free enterprise system.

In making this statement I am making the assumption that you all recognize that the family farm is vital and essential to our free enterprise system. This assumption is even more readily acceptable if we consider that one large corporate orchard of 10,000 acres, for instance, is equivalent to 200 family orchards capable of generating 200 taxpayers instead of one, 200 homes, 200 tractors, 200 pickups, 200 irrigation pumps, 200 grocery, gas, utility and furniture accounts. These 200 families can support a law enforcement agency related to human problems, three or four churches, an insurance agency, two or three farm electricians, carpenters and a number of other tradesmen. These 200 families can support one or two doctors, lawyers, dentists, and opticians. It is possible to support a local school with children responsive to free education. In addition, we are capable of producing political representatives responsive with pride to the will of people rather than corporations. Furthermore, these 200 farms can provide many and diverse opportunities for free enterprise for youth with initiative rather than the corporate State serfs that are so often required in agriculture today.

In spite of all of the family farm advantages that I have just mentioned, I would be the last to criticize the corporate farm if they had achieved their dominant position under a truly free enterprise system, but such is not the case. Instead, the State has entered into the system in support of the corporate farm. The State has granted enormous subsidies to inefficient nonproducing corporate conglomerates who, under a truly free enterprise system, would have been forced to parcel off and sell to individual farmers with ideas and initiative. The State has permitted corporations to utilize Federal water for years that had been specifically intended for individuals with 160 acres or less. Our banks and financial institutions are geared toward long-term mortgages for corporates with the individual offered some unsolicited short-term ready cash at 48 percent per

annum through a BankAmericard or Master Charge card. Even our Federal Land Banks are reluctant to consider an individual with less than 40 acres for a long-term mortgage loan.

This corporate-State partnership has become so widespread that almost all legislation in recent years designed to help the farmer has, in effect, helped to perpetuate the corporate farm and destroy the family farm. For instance, the Williamson Act in California has been a tremendous help for corporates in reducing their taxes and shifted an additional burden to the individual. Indirectly, the State and the taxpayer support the victims of this system; the migrant worker or the displaced people who go to our cities and create impossible conditions for our welfare program, for our schools and for our law enforcement agencies.

I believe that we have created the worst welfare system of all times, the welfare system for the corporate farm. If we can abolish this welfare system for the corporation, I believe that we can once again start thinking about truly productive land rich in human resources. Land that gets more individuals on the farm and keeps them there as taxpaying citizens. Then, and only then, can we take pride in capitalism and free enterprise.

Many of us have contributed to this trend to destroy individual enterprise through ignorance. We have assumed that to become big in agriculture was an indication of greatness, when just the opposite is the case. Instead, vast agricultural corporations are destroying our traditional qualities of greatness. They are limiting the opportunity for individual enterprise, initiative and creative expression. These corporations in partnership with the State are creating corporate-State serfs in labor. They are dependent upon corporate-State lawyer serfs and they control corporate-State political serfs. Even more disturbing is the fact that we have considered it unpatriotic if we fail to support these abuses of our democratic system.

We have considered it unpatriotic if labor seeks to become more than corporate-state serfs. We have granted subsidies, tax shelters, and State water at the request of corporate-state legal and political serfs in the mistaken idea that we are supporting a democratic system. We have shouted Communist at the real patriots in this country who suggest that we must cease to support these corporations and give individual enterprise a fair chance.

It is reasonable to believe that it is not too late to reverse this oppressed condition, this trend toward destruction that has been created through ignorance, but if we fail to make corrections immediately we can no longer be considered ignorant, we must be considered traitors to our democratic way of life.

Thank you.

Senator STEVENSON. Thank you, Mr. Thayer. We will include your entire written statement at this point in our record.

(The information referred to follows:)

SUBJECT: Family Farm Statement
 TO: Subcommittee on Migratory Labor
 FROM: George Thayer, Almond Grower

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parcel off and sell to individual farmers with ideas and initiative. The State has permitted corporations to utilize Federal water for years that had been specifically intended for individuals with 160 acres or less. Our banks and financial institutions are geared toward long term mortgages for corporates with the individual offered some unsolicited short term ready cash at 48 %/annum through a BankAmericard or Master Charge card. Even our Federal Land Banks are reluctant to consider an individual with less than 400 acres for a long term mortgage loan.

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It is reasonable to believe that it is not too late to reverse this oppressive condition through our democratic system. It is not too late to enforce 160 acre limitation on Federal water and force the conglomerates to sell to individuals. It is not too late for our Federal Land banks and other lending institutions to establish realistic formulas for creating capital for family size economic units. It is not too late to prohibit a corporation receiving oil depletion subsidies from using this same land for agriculture. It is not too late for the state to force those companies who finance farmers into overproduction of crops to honor their contracts when overproduction has been achieved as has been the case with peaches and poultry and will be the case with grapes and other products. It is not too late to force vertically integrated conglomerates to establish reasonable prices for the raw material rather than to take the profit from some vague segment of the vertical structure in order to drive more farmers out of business. It is not too late to establish formulas for tax relief for agricultural land based upon family size economic units rather than on acreage. I would not even suggest that we eliminate subsidies for certain crops, but that we establish acreage limitations that would make it more profitable to sell off land that is larger than a reasonable size.

It is not too late to reverse this trend toward destruction that has been

created through ignorance. But, if we fail to make corrections immediately we can no longer be considered ignorant, we must be considered traitors to our democratic way of life.

69-133 2356

Senator STEVENSON. Mr. Anderson, would you care to make a statement?

Mr. ANDERSON. I have a written statement here I will read.

STATEMENT OF MARTIN ANDERSON, FARMER, TURLOCK IRRIGATION DISTRICT, HILMAR, CALIF.

Mr. ANDERSON. Hon. Senator Stevenson and Senator Taft.

I am a family farmer. I have lived in the Turlock Irrigation District. I own 40 acres of land, 25 of which is in almonds and this is giving a gross of around \$20,000 a year.

We are very much concerned about what is going to happen to the almonds by what is taking place in the valley today in which great corporations and many, many people are going into the almond business. I am a member of the California Cooperative Almond Growers Association and we feel that they are being threatened also by such corporations as Tenneco which are setting up corporations in competition with us.

My statement, I will try and read this to you.

It is not without misgivings that I see these modestly sized farms being replaced by oversized units and even corporate giants. As I see it, most every aspect of our culture is being adversely affected by the changes that are taking place in rural America.

When larger and then again still larger units take over farm operations, less people are employed in rural communities and most of those who would normally find employment there gravitate to urban centers to compete for jobs. Much of the distress in our cities can be traced to this cause. I think this has been stressed many times before today.

A certain movement in this direction was needed when industry was to find more workers, but the policies on which America was established and that made America what it is, never allowed that rural communities should be weakened in this manner. It was Thomas Jefferson who said that America should also be a nation of craftsmen and small landholders. It was understood that these holdings should not be so small that they didn't provide a degree of affluence.

This policy made it possible for rural America to acquire the affluence that made it a good customer for the development of industry. Because no such policy was ever established south of the border these countries never enjoyed this development. The tragedy is that we are now allowing ourselves to drift into the very condition that prevented these countries from developing in the first place.

The past few decades a change in policy has taken place. War and crash programs such as aerospace, have overemphasized the need for workers in industry and irresponsible economists misreading this evidence and seeing the efficiency of larger equipment and ignoring human values, have advocated that much larger, even gigantic farm units were not only desirable but inevitable.

A good example of the fuzzy thinking employed by these pseudo-economists is illustrated by a quote from a Department of Agricul-

ture report on a study intended to prove that giant corn growing operations would be more efficient than family farms. After completing their study it was conceded that the family farms were as efficient as the giants could expect to be but, it was noted, they could make certain savings by bypassing local dealers and "They can employ various measures to reduce or eliminate Federal income taxes."

This proves the very point that I wish to make. Not only does the family farm support local enterprise and thereby provide more employment in rural communities and relieve the strain on the cities, but it cannot avoid income taxes or other taxes for that matter. There is no question but that more taxes would be collected in a community of homeowners than if this same area was farmed by one gigantic operation.

What is more, the giants collect more subsidies. Some of them even admit that they could not make out if it weren't for the subsidy.

It is just this sort of thing that I see as the greatest threat to our democratic system. As one Greek philosopher said, "A democracy will only last until its constituents learn that they can vote themselves largess from the public treasury."

And this is just what we are now doing, but we are not only voting ourselves largess, we are raiding the treasury from every angle. When we aren't looking for handouts we are finding ways to avoid paying the taxes that support this institution. So how does the treasury sustain itself? By running into debt and producing more inflation in an ever accelerating vicious circle.

There is another point I wish to make. It is inferred that larger units are more efficient and therefore we can expect lower prices in the market as they take over. Allowing that this might be so, I ask, is it better for us to get things a little cheaper in the supermarket and because of this have to pay out more in burdensome welfare costs. Is there any question but that as rural communities deteriorate welfare costs rise?

What I have been trying to say is that modestly sized farms not only produce as much if not more wealth and that they distribute it more evenly, and that this brings both economic stability and moral health.

Now, how do I propose to restore these precious institutions? Many suggestions have been made but the only one that I feel would be effective would be a system of taxation that would make it unprofitable to operate an agricultural unit that exceeds certain limits. I understand that this system is being used in some European countries but I hold no hope that any such corrective measures will ever be enacted in America. I only see a day coming when our system has gone bankrupt and a receivership is established in the form of a dictator. I truly fear that we are already so far down this road that we are beyond the point of no return.

Now I think I hear someone asking, how about industrial nations such as Japan, how can they be prosperous without a viable agriculture?

The answer is simply that their prosperity depends on trade with nations who have a viable agriculture. Because we are a nation that produces so much agricultural wealth America is the best customer any industrial foreign nation can have. Industrial civilizations are built on agriculture and cannot exist without it. Without a viable agriculture men are forced to spend so much of their time searching for, or otherwise providing for the necessities of life that they have no time to develop industry.

While some nations have to go abroad to trade for agricultural wealth, this wealth is to be found right here in our own backyard, and if this wealth is not distributed in such a manner that the rural communities become good customers for industry, some other means must be found to distribute these finances. It seems that the only other source that we have found is the public treasury. And since we refuse to support it, is it surprising that it is running into debt?

Senator STEVENSON. Thank you, Mr. Anderson.

We have heard in the course of these hearings a great deal about the social implications of the large corporate farm, about the death of the rural community as it turns into a company town causing small businesses to die, about the church losing its membership and support, about the school not supported; and about the continuing migration causing the crowding in our cities. Many good people are victimized as the process continues—everybody right down to and including the consumer who goes to the supermarket and has a hard time finding a vegetable that tastes like one.

Now what I would like to talk to you most about are the social implications, the afflictions upon the environment, among other things, from this revolution in rural America, but the economic inefficiencies.

You are 40-acre farmers. I believe each one of you said you had a 40-acre farm. How can you compete purely on economic terms? How can it be possible that you are as efficient producers as this agribusiness? Economic efficiency is the sole justification for agribusiness that we have heard before this hearing. It is claimed that the economy of size means a lower cost to the consumer. You are saying, and others have said, that in spite of the fact that Tenneco has its own tractors, and it makes its own gasoline and its own fertilizer and supplies its own packing materials, that you can produce just as efficiently as Tenneco or as these other large corporate farmers. How is that possible.

Mr. ANDERSON. We are beginning to question whether we can in a position like Tenneco.

Senator STEVENSON. I am talking about just the production end of it—just the farming end.

Mr. STAMENSON. Senator, let me answer that. We don't claim that we can compete with the big corporations like Tenneco, for example, but we can compete with any nonsubsidized corporation. If they are so efficient, throw the subsidies away from them and we can compete with them. No corporation can compete with a small farmer who does his own supervision, his own work; they can't compete with him.

Senator STEVENSON. You talk about subsidies. Are you talking about indirect subsidies including tax benefits? Is that one of the principal reasons?

Mr. ANDERSON. Yes.

Mr. STAMENSON. Indirect and direct subsidies.

Senator STEVENSON. You can compete, but you can't compete with somebody who farms at a loss or maybe wants a loss?

Mr. ANDERSON. That's right.

Mr. STAMENSON. Excuse me a minute. Like the Boswell Corp. receiving \$4 million a year subsidies. If I were to get a fraction of that subsidy I would be the biggest and most efficient farmer this side of the Mississippi. [audience reaction.]

Senator STEVENSON. The hearing will have to be in order.

What was the name of the corporation?

Mr. STAMENSON. The Boswell Corp. who owns 80,000 acres.

Senator STEVENSON. What kind of subsidy do they receive?

Mr. STAMENSON. They were receiving over \$4 million a year in subsidies.

Senator STEVENSON. What kind of subsidies? Crop subsidies?

Mr. STAMENSON. Crop subsidies.

Senator STEVENSON. What did you receive last year in crop subsidies?

Mr. STAMENSON. Last year they didn't get it because that \$55,000 subsidy was in effect.

Senator STEVENSON. What did you receive last year in crop subsidies?

Mr. STAMENSON. Me? I haven't received a subsidy all my life.

Senator STEVENSON. Have you ever received a crop subsidy?

Mr. ANDERSON. Not a crop subsidy.

Senator STEVENSON. Have any of you received a crop subsidy?

Mr. THAYER. It is not worth it to even apply.

Senator STEVENSON. In your particular line of agriculture it is simply not worth it on specialty crops?

Mr. THAYER. Well, they have some counties, under this Williamson Act, but for 40 acres it is hardly worth applying. But for someone with 10,000 acres, it is quite a bit of difference.

Senator STEVENSON. Now you are getting to the point that I wanted to get to, Mr. Stamenson. It has been said over and over again that the family farmer is an efficient producer. Given a chance, he can produce as efficiently, if not more efficiently, than the large corporations. Our economic system is supposed to be a free enterprise system. If that is true, what I want to know is why the most efficient of all producers can't survive and prosper.

You suggested that one reason might be the indirect subsidy of tax benefits for corporations. What are the other subsidies, if there are others, that make it impossible for the efficient producer, the family farmer, the 40-acre farmer, to survive in agriculture in California?

Mr. THAYER. Well, this isn't a subsidy, but the ability to exploit labor is something that a corporate farmer can do that we don't want to do. If a corporate farm with hundreds of laborers during the year would have to pay a fair labor wage they would not be able to compete with me because my sons and I do the work, and if

we could equate our labor at three and a half dollars an hour we have a living right there. But the corporate farm does not have to do that; they use the migrant labor, they pay the lowest scale they can, and they achieve the competitive benefits from it.

Senator STEVENSON. How do they get migrant labor? Is any labor they use illegally present in the country?

Mr. THAYER. I am sorry. I don't know enough about that, but I do know it goes on.

Mr. STAMENSON. Let me elaborate a little bit more on Mr. Thayer's statement, Senator.

Now, you take today, the small farmers or the large farmers; we are operating on a 67- to 68-percent parity. Even at those parities I hire labor—two or three people—during harvest season. If I can make it—a two-bit farmer like me can make it—I don't see why those big guys can't make it when they don't pay taxes like I do. The whole thing is, if we want competition, let's have it fair competition.

Senator STEVENSON. That is what I am getting at, Mr. Stamenon. We have heard a little about tax laws. It has also been suggested that big businesses have an opportunity to hire cheap labor. I thought we could hear more about that. I think one of the problems that has been alluded to before is the nonenforcement of the immigration laws at the border and the loopholes in those laws. It is, for example, unlawful in the Nation to harbor an illegally entered alien, but it is legal to hire him. Now I want to find out if this is a problem for the family farmer. Are aliens, illegally in this country, being hired to work in competition with you?

Mr. STAMENSON. We have no way of knowing this. Naturally we hire quite a few Mexican-Americans, but it is none of our business to ask him if he came here legally or not. We don't know. Most of the locals can hardly speak any language so we just take them. They are good people, they are nice, and we pay them adequately. I have a house on my place over there. I furnish them with housing and they get hot and cold water in there and everything. I pay them \$2 an hour. But the fact remains, when big corporations, where they produce everything, that is kind of a disadvantage where we have to pay top money for everything we purchase, and, yet, as I mentioned in my statement, because of the farmers reluctance to organize, somebody else sets the price for our commodities, until recently, the National Farm Organization came in and they are starting to do something about our predicament, and it is the only farm organization so far, to my knowledge, that did try to help the farmers, the little farmers in particular.

Senator STEVENSON. Do you ever have difficulty marketing your products? Is the same market available to you that is available to the large corporate farmers?

Mr. ANDERSON. I mentioned that I am a member, and I think all of us are, of the California Almond Growers Association, and through them we have a very good market, this has been a very successful crop.

Senator STEVENSON. I think you also mentioned the 160-acre limitation?

Mr. STAMENSON. Why is it, it should really be the 160-acre limitation. Now, the C.I.D. I mentioned awhile ago, they had it in their statement to the Senate at the time, steps had been taken to discourage young men from going into agriculture because they want to eliminate it. But the things have changed right now, they want to get these young men back to the farm. How in the world a young man is going to come and buy even 160 acres at reasonable prices and with reasonable interest I don't know. But through this land reform that Mr. Barnes over here mentioned, long-term loans and interest-free loans, therefore can make and enable this young man to come in and take over where we are going to have to go.

Mr. ANDERSON. There is one thing I would like to add to this. You were asking about why we can compete. The thing is, like myself and many others who have owned our lands, it is our own, we have no encumbrances against it at all. Since we have been in it long enough so that we do have it free of encumbrances and this is part of our income, and any young fellow or anyone else starting up would be handicapped. It would be almost impossible for a young fellow today to come in and, for instance, take over my almond orchard and make a go of it, paying the interest rates that he would have to meet. This is one reason we have been able to compete very well because we have been able to get these properties and have it and own it.

Senator STEVENSON. Senator Taft, do you have any questions?

Mr. STAMENSON. A matter I would like to bring up, Senator, is the matter of mechanization in the farms or any other industry. When you are going to bring in a machine to eliminate the back-breaking work, that is fine, that is agreeable, but for everything, particularly in the farm machinery, what are we going to do with these people that are working for a living and that want to work for a living? How is it helping our economy by having everything mechanized?

Senator STEVENSON. It is also claimed, Mr. Stamenson, that many, if not most, of the machines are being developed at governmental expense, and of course principally for the benefit of the large farmers who can pay for them. Just one machine next year, the tobacco harvester, will displace and throw off of the land 50,000 farmers and farmworkers plus their families, in North Carolina.

Mr. STAMENSON. In my case, personally, if I can afford to hire help and pay them \$2 an hour, and that is the current wage right now, if I can afford it, a two-bit farmer like me can afford to pay \$2 an hour and furnish them with housing, why can't the so-called big, efficient farmers do it in order to help the economy? If everybody wants to look out for himself, what is in it for me, what is going to happen to the entire economy, the entire country.

Senator STEVENSON. Senator Taft.

Senator TAFT. What are the big farmers paying?

Mr. STAMENSON. I don't know.

Senator TAFT. You don't know whether they are paying more or less than \$2 an hour?

Mr. STAMENSON. I have heard they have signed contracts with some union, and I don't even know what they pay. I know what I pay.

Senator TAFT. How many migrant workers do you employ per year?

Mr. STAMENSON. Two or three during the harvest season.

Senator TAFT. When is the harvest season for almonds?

Mr. STAMENSON. It starts around August and closes in about 6 or 7 weeks.

Senator TAFT. Do you raise any other crops for market?

Mr. STAMENSON. Walnuts.

Senator TAFT. And do you hire any migrant labor in connection with that?

Mr. STAMENSON. Yes.

Senator TAFT. Would it be included in the figure you gave me?

Mr. STAMENSON. As soon as one harvest finishes the other begins.

Senator TAFT. Mr. Thayer, what market crops do you raise?

Mr. THAYER. Almonds.

Senator TAFT. Is that all?

Mr. THAYER. That is all, yes.

Senator TAFT. Mr. Anderson, what market crops do you raise?

Mr. ANDERSON. Almonds is all that we are raising and the rest of the land is rented to a dairyman. We used to have a dairy, however we no longer have it.

Senator TAFT. When you talk about parity, or parity payments, is there a support program for almonds?

Mr. ANDERSON. No.

Senator TAFT. What is the price of almonds today?

Mr. ANDERSON. I am not real sure but last year we got, it averaged about 55 cents per pound for the meats, in that neighborhood.

Senator TAFT. And what was it 10 years ago?

Mr. ANDERSON. It has been practically the same as long as I know.

Senator TAFT. Has it been approximately a steady price?

Mr. ANDERSON. Yes. The almond growers have stabilized this price and they have held it, whether the crop is high or low. They feel it is strong, it is better for the market if it is held at about this price. We are not complaining about these prices, we are worried about what is going to happen in the future.

Senator TAFT. Are any of you gentlemen officers of the Almond Growers Association?

Is the Almond Growers Association, as such, concerned with the competition or possible competition that is going to come from corporate farms?

Mr. ANDERSON. Yes, they are, very much so.

Senator TAFT. That is really your primary economic concern here?

Mr. STAMENSON. The Tenneco Corp., I understand they are planting about 35,000 acres of almonds in Kern County in order to bust up the Almond Growers Association in Sacramento.

Senator TAFT. Have they gone to market yet?

Mr. ANDERSON. Yes, they have, you can buy their products. It is Sunburst or something like that, and right on the supermarkets here. We find it competed right with ours.

Mr. STAMENSON. I think their trees are not in full production, that they bought these walnuts from independent growers.

Mr. ANDERSON. They are on the market, they are in business, they have advertised in the local papers.

Senator TAFT. How many acres do each of you gentlemen farm?

Mr. THAYER. I have 45.

Mr. ANDERSON. I have 24 acres of almonds.

Mr. STAMENSON. I have 24 acres of almonds and about 14 acres of walnuts.

Senator TAFT. Mr. Thayer, I think you said you didn't use any migrant labor at all, is that correct?

Mr. THAYER. No; I have three sons of age, they are all capable and working, and a neighbor's crew.

Senator TAFT. Do you pay them for the picking operation?

Mr. THAYER. Yes.

Senator TAFT. What do you pay them?

Mr. THAYER. Anywhere from \$2 to \$2.50 depending upon the responsibility. The oldest son has more responsibility, he gets more.

Senator TAFT. Mr. Anderson, how many do you employ?

Mr. ANDERSON. Migrant laborers?

Senator TAFT. Yes.

Mr. ANDERSON. We don't employ migrant laborers, it is people who live in the community that work for us, they are not migrants.

Mr. STAMENSON. Let me correct myself, Senator. I mentioned awhile ago that I employed migrant workers of the Chicano variety, but they are local people, they live maybe in the next town.

Senator TAFT. Do they travel with the harvest?

Mr. STAMENSON. No. They come in and ask for a job and I put them to work if I have work for them. They do that pretty near all year round.

Senator TAFT. I am a little confused about the subsidy and how it works.

Mr. STAMENSON. Senator, way back in the early 1930's they passed this subsidy law in order to hold the little farmers so they wouldn't get thrown out. Now it is nothing but a racket. It is for the big corporations, to be plain about it.

Senator TAFT. Are you talking about the present tax laws in this State?

Mr. STAMENSON. Yes.

Senator TAFT. Thank you very much.

Senator STEVENSON. Thank you very much, gentlemen, for joining us today. You have been very helpful.

[The following communication was subsequently received from Mr. Martin Anderson:]

HILMAR, CALIF., March 7, 1972.

HON. ADLAI E. STEVENSON III,
Chairman, U.S. Senate Subcommittee on Migratory Labor,
Washington, D.C.

DEAR MR. STEVENSON: First of all I wish to thank you for giving me the opportunity to present my views and for the considerate way in which you conducted the hearings at Fresno. I am also including some additional remarks that I had considered but failed to include and that I feel are pertinent.

After . . . I say I fear we are already so far down the road towards dictatorship that I fear we are beyond the point of no return, I intended to say:

I wish to point out how much our liberties have eroded through the granting of license to privileged groups. For example, labor unions can protect their members by denying others the privilege of working at certain jobs. This philosophy has now invaded the policies that determine what farm operations are to be.

Our California milk pool is a case in point. No one can sell market milk without a quota that covers the amount of milk one is allowed to sell. These quotas are transferable so this means that individuals, or even corporations for that matter, who possess the means can buy milk markets while disadvantaged individuals are denied the privilege of participating.

This sort of thing has become necessary because we have refused to limit the size of our producing units or accept any system that would do so. Thus because we have refused to be controlled in one instance we have destroyed the more meaningful liberty of free enterprise.

In questioning us, . . . you say that this is supposed to be a free enterprise system, I'm sure that you would have to agree that at least in this instance free enterprise is dead.

I think you will agree that agriculture represents the most basic vestiges of liberty, even as it is the most basic of all industries. Therefore I feel that you would agree that our liberties die in direct proportion to the regimentation in agriculture.

Thanking you for giving me this chance to sound off I am,

Sincerely yours,

MARTIN ANDERSON.

Senator STEVENSON. Our next witness is Mr. Jack Molsbergen of Mendota. He is in the real estate business.

**STATEMENT OF JACK MOLSBERGEN, REAL ESTATE BROKER,
FRESNO COUNTY, CALIF.**

Mr. MOLSBERGEN. Senator Stevenson, Senator Taft.

My name is Jack Molsbergen, I am a real estate broker engaged in land sales and property management in the town of Mendota which is on the west side of Fresno County.

I think most of my statement has items of interest for everybody so I will read it quickly.

Strange things are happening in California agriculture. On one hand are reports of financial disaster facing established farms, from the smallest to some of the largest. On the other hand are stories of vast amounts of money being invested in the development and improvement of farmland. Why is a situation which looks so bad to experienced farmers attractive to investors from outside the farm community? I would like to make some remarks on what is happening in the area affected by the new water supply from the San Luis project.

There are two parts of the area which are quite different, and it is important to understand the conditions in each one. In the western parts of Fresno and Kings counties is Westlands Water district, which will receive most of the Federal share of the water developed by San Luis. This portion of the project area has the following characteristics:

1. Water is inexpensive compared to that in the State water districts.
2. Land ownership is subject to the 160-acre limitation.
3. The land has been in production for many years with water from deep wells.
4. With the exception of that owned by Southern Pacific, most of the land is operated by owners whose principal business is farming. The farms, mostly large units, are producing the same crops that have been grown in the area in the past, and are having a hard time

producing enough income to carry existing obligations, much less show any net.

5. There has been little interest in land from nonfarming investors, and little change to trees, vines, or new produce crops.

Farther south along the new canal, in southwestern Kern County, is another larger area which has entirely different conditions:

1. Water costs are high; in some areas above the canal many field and row crops are not economical.

2. Water is delivered under State water law, and the Federal 160-acre limitation does not apply.

3. Most of the land had never been farmed under irrigation before the arrival of San Luis water.

4. The land is being developed for farming by entities whose main source of income is from other than farming.

5. Much of the land will be put into high-value crops, such as trees and vines.

In addition to the two areas above, there are several large owner-ships in the Tulare Lake Basin which fit into neither of the two categories. Their water supply comes from across the valley, mainly from the Kings River. These operations have changed very little in recent years.

Land development in Kern County along the new canal has been started by owners of large blocks, most of whom have owned the property for some time. Across the valley, the activity has been carried on by limited partnership syndications. The recent sale of a big acreage by Tenneco to the foremost syndicator would indicate that this activity will be started on undeveloped land along the new canal. The restrictions of the 160-acre law have made these districts unattractive for use in syndications, although a few have been put together.

Both the limited partnerships on the east side of the valley and the oil companies on the west side find trees and vines attractive for a development deal because of the tax losses in the early years. This can be increased by getting a development loan which requires the payment of only interest during the early years of the project. One limited partnership offering told of tax treatment on a previous syndication as an example of what an investor might expect. A limited partner who had invested \$5,000 had a net tax loss the first year of over \$3,400, and a further loss the second year of over \$2,300, or a total tax loss over the 2 years of 115 percent of the investment, with 2 years to go before any operating profit would be expected. A person with a high taxable income would be losing very little spendable income, and would have the possibility of getting income in future years when he might be in a lower bracket, in addition to the capital gain possibility from a sale in future years.

It is difficult to guess exactly how much of this activity will show up in the next few years, but an indication of what has already happened is found in the prospectus of a limited partnership offering by a subsidiary of Buttes Gas & Oil Co., in which the qualifications of the manager were set out. It said that the management company was already operating over 70,000 acres, half of this in nuts, fruit trees, citrus, and grapes. The manager was farming

citrus and nuts for 54 different owners, including Getty Oil Co. Prudential Insurance Co., and Texaco, Inc. The prospectus also states that Buttes is engaged in the development and farming of 16,600 acres, half wholly owned by Buttes, and the balance in two limited partnerships in which Buttes owned the general partner company.

Individuals and corporations with income from other sources feel that no matter what the short-term problems are in farming, they can support the operation through the hard times and cash in at some later date. In the meantime, the farmowner without the extra income will be unable to survive, and if his deal is no longer producing, it will make the future look even better for the new development.

Several major insurance companies have been making big loans to syndications, at interest rates much higher than they have been able to get on loans to establish farms. In several cases, the insurance companies or their subsidiaries get an equity in the resulting operation, thus ending up as competitors of the older operations in the valley that are having a hard time making the mortgage payments.

The basic problem is in the tax law, which is so complex that an aggressive tax attorney can find just about whatever he needs if he looks long enough. The bulk of the investment money going into the south valley is from taxes unpaid by those who have the time and ability to find a way of avoiding payment.

Senator, I would like to make a comment about your question to the previous witnesses about efficiency. I feel that a lot of the efficiency is still projected efficiency in the tree developments that are going on in the south valley. The nuts are coming off the trees in small volume but the projections are based on the price which the almond growers, for instance, have been able to maintain through their marketing and there is no indication that this can be held in view of the doubling of the acreage, which is just about what is going to happen.

I would like to read you a statement from a prospectus, a Tax Reform Act of 1969 was supposed to shortstop some of the problems that have developed, and one statement reads like this: The Tax Reform Act of 1969 also restricts the deductibility and interest paid to purchase or carry investment property. The term investment property does not include property used in a trade or business, and the company has been advised that according to the weight of authority it would be considered to be engaged in a trade or business. For example, any interest expenditures incurred by the company to purchase groves would be considered an interest expense in connection with the trade or business rather than an interest expense in connection with an investment. As fast as you gentlemen pass laws, there is a new hole found in it. The basis of these high losses in these limited partnerships is the prepaid interest and prepaid management fees in these early years.

My concern with this is that I have been working on investments in a variety of wine grapes. Tax laws specify oranges and almonds,

they are restricted in some of the tax treatments so now we are switching to wine grapes, and that is next.

Senator STEVENSON. And pistachio nuts?

Mr. MOLSBERGEN. Yes, sir.

Senator STEVENSON. I can't understand that myself. I haven't been in the Congress very long, but I understand it is true that many costs must be capitalized in the case of certain crops, such as citrus and almonds, which can be deducted as business expenses in the case of other crops such as walnuts. I don't know what the social interest is in promoting the development of walnuts as opposed to almonds, but there are such incongruities in the tax laws which I suspect have more to do with politics and political pressures than they do with any carefully devised public policy.

You feel pretty strongly that the disfigurement of rural California, at least in the areas in which you are familiar, is due to the tax advantages available to affluent and usually absentee owners of land. Are there other forces at work that we should know about too?

Mr. MOLSBERGEN. Senator, the area in which I live has seen none of this tree and vine development. The town in which I live has never been a town which is now going down hill, it is an underdeveloped town. We have always had large farm operations around there and the businessmen in the town do not get much of the normal purchasing from the large companies. These people have the ability to buy direct and do with most of their purchases. I mean they go to Fresno daily to wholesale houses, and when they make big purchases like farm equipment, somebody goes to the factory.

Anderson Clayton Co. farms a lot of acreage and they make their deals direct lately with Allis Chalmers Co. As the operations get bigger the smaller merchants cannot give the discounts and so on that are available to the big companies from the direct outlets.

As I said, our area has grown up this way, and we do not have the normal percentage of people who control their own time to serve on the school board, city councils and such, we just don't have them. Most people are salaried people or hourly people and they have the requirements to be at a certain place at a certain time.

Senator STEVENSON. Being in the real estate business you must have some familiarity with the credit practices of banks. Is credit pretty generally available for the purchase of land, and are the rates the same for different kinds of buyers; or, are there advantages that contribute to the trend of ever greater concentrations of land ownerships?

Mr. MOLSBERGEN. Again, speaking from the viewpoint of where I live, we have all large corporations there. I don't know if you remember, but 5 or 6 years ago the banks were much more strong in their statements that a great big row crop operation was most economical, and they backed their words with money in many cases. Now they wish, in our area, that they had their speeches and their money back. They have made some mistakes. Wells Fargo Bank is trying to work out from under three of the biggest potato deals on the west side and there are other similar problems. Banks and insurance companies change their feeling about what is a good investment from time to time. Right now the insurance companies are all hot on these

syndications because the doctor from Kansas City that is making a limited partnership investment is not too concerned whether the partnership is paying 6 percent or 9 percent, and there are many of these deals where the insurance companies are getting 10 percent interest on a 20- or 25-year capital loan. They are tickled to death with the projections on this.

Senator STEVENSON. How do those deals work? Does an insurance company, for example, get a mortgage on the land, and is the loan to the syndicate backed by the credit of the individual members of the syndicate, the partners?

Mr. MOLSBERGEN. No, sir. The main selling point of a limited partnership to these investors is that it is a limited liability. They put in their dough, and that is the end of their obligation. They cannot be sued for any deficiencies. The insurance companies that are making these loans are taking a first mortgage position and if there is any other financing it is usually in the form of a second mortgage.

Senator STEVENSON. Then I missed something you said. Why are these loans so attractive to the insurance companies when at the same time you say the banks are very unhappy with the loans that they have been making over the years for investments also in land?

Mr. MOLSBERGEN. Well, right now the insurance companies and some of the banks are very happy with the tree developments in the southern part of the State. Both the insurance companies and the banks wish they were out of the west side of Fresno County, I feel. We have a depressed area there regardless of whether you have a great big farm or fairly small size farm. The crops in the west side of Fresno County, cotton, tomatoes, seed alfalfa, small grains, have not been profitable for the last year or two.

Senator STEVENSON. In the case of the specialty crops, is there growing concern that as a result of the increased cultivation and more and more land put into production partly as a result of the tax advantages, that we may soon face some serious surplus problems which, in turn, are going to have a depressant effect on land values, or is it already happening?

Mr. MOLSBERGEN. It is already happening in oranges. The navel season overlaps the valencia season and there is quite a bit of heavy culling and the prorate has to work very strongly to keep the prices where they feel they should be. It is obvious that it is going to happen to walnuts and almonds, and the computer tells Tenneco that they can produce walnuts and break even at 18 cents a pound, and so this is their program. The gentlemen that were here before me can't do that.

Senator STEVENSON. What is happening to land values, are they leveling off at the moment for citrus, walnuts, and almonds?

Mr. MOLSBERGEN. On the west side of Fresno County land values have leveled off since 1968, but we have no development of this type there. In Kern County much of the ground that is going into these developments has been owned by the party making the sale. Maybe he has developed it partially, it is hard to separate the land value from the value of the developer-grower. And by the time one of these limited partnership syndications hits the market it is hard to determine what the land originally cost. One of these, the farm manager

originally owned it, he sold it to an oil company, the oil company turned around and sold it to a limited partnership, and the limited partnership hired the manager, the original owner, and paid him three quarters of a million dollars in advance to run it for the first year. And with the loan fees and prepaid interest and management charges and everything that were thrown into this thing, I don't think anybody knows what the land was worth to start with.

Senator TAFT. Let me ask a question, if the Senator will yield.

Senator STEVENSON. Yes.

Senator TAFT. Are you inferring that the manager's compensation was not unrelated to the original land price paid him?

Mr. MOLSBERGEN. I don't quite understand, Senator.

Senator TAFT. Are you inferring that the compensation given by the limited partnership to the manager, who is the former owner of the land, an amount which seems like a pretty healthy salary, was not unrelated to the original land price that was paid to him?

Mr. MOLSBERGEN. No; I don't think there was anything of that type. I think that the fee per acre that he was given in this particular instance seems very reasonable. But there was transfers of this property and each time there was an increase in value and a capital gain taken by the party making the transfer, and it raised the gross amount of the investment in the whole unit each time that it went around.

Senator TAFT. So, on the basis of the investment that was involved, are you inferring that the compensation to him was inordinately high?

Mr. MOLSBERGEN. No; it was not. What was inordinately high was the amount of money that came off the front of this deal. Out of \$2,100,000 there was a \$500,000 down payment and the balance was made in loan fees, interest and so on, and there was \$6,000 in the bank when the \$2,100,000—

Senator TAFT. What has happened to the enterprise?

Mr. MOLSBERGEN. I guess it will go forward.

Senator TAFT. Do you think they will ever get it paid off?

Mr. MOLSBERGEN. This is just a new deal. Again these are projections. Four years from now if the deal isn't making money the management company will say, well, if you gentlemen are dissatisfied why don't you find yourself a new manager. This is what is distorting the development.

Senator TAFT. Do they expect to pay off these amounts of investment on the basis of selling almonds and walnuts or on some other basis?

Mr. MOLSBERGEN. Yes, sir. Almonds, walnuts, and plums. There are probably plum growers in the room today wondering why anybody would plant plums. One oil company in the west side of the valley planted several thousand acres of cling peaches and last year many peach growers didn't harvest a peach, there was no market for them. This is what concerns the people that have been connected with farming for many years back. These things are going on and you wonder what is going to happen when the production arrives. What is going to happen to the people that have been in the deal?

Senator STEVENSON. It has been claimed that enforcement of the 160-acre limitation would result in unfair confiscation of farmlands.

In your experience, and in your opinion, are the Bureau of Reclamation appraisals of surplus land reasonable?

Mr. MOLSBERGEN. I think some decisions were made many years ago, 13 or 14 years ago about the method of appraising property which were mistakes, and I think the result of these mistakes has been that in the Federal area of the San Luis water district probably were 40 percent overvalued on what the land really should be, but these things have been done many years ago and have been backed up by a whole series of administrative rules, and in some cases court decisions, and I don't see any way of backing up. I think that there has been some discussion about Federal action to acquire these excess lands, and if some legislation of this type were enacted, I think the fact that you are going to be paying \$150 an acre more than you might have had things been done different, is really insignificant over the long term. It is better to get it done even though you are going to pay that much more than to fight about backing the thing up.

Senator STEVENSON. Do appraisals made many years ago govern the prices at which land would now be sold at a surplus?

Mr. MOLSBERGEN. The law says that the excess owner has to sell his land at a price that does not reflect the value of the water. Now, the route they chose to go was to wait until a sale was imminent and then ask for price approval based on a certain figure. The government people would then come in and look at land sales which were of nonexcess parcels, usually around the sale, and they would then say, well, this is what land is selling for on the open market and it is our opinion that there is a \$20 an acre, a \$50 an acre water benefit. In my opinion the proper way to have handled this thing was to appraise the whole district as a matter of course in 1960, before there were any sales of land at higher rates. As things came along, land that was not subject to price control was sold at higher prices, and this kept going on up until probably 1967, and this affected the appraisal procedures of the Federal people when they came in to get a price.

Senator STEVENSON. If the appraisals are, if anything, too high, I don't see how it can be argued that sales at those prices would be confiscatory.

Mr. MOLSBERGEN. They would not.

Senator STEVENSON. It would be just the opposite.

Mr. MOLSBERGEN. No. And I think if any legislation of this type is going to be put through, it is the appropriate time to see it done. I heard a comment from a person in one of the large corporations that said if such legislation was passed and the government was willing to buy the excess lands in West Lands Water District, they had better look out because they would buy a quarter of a million acres before sundown.

Senator TAFT. What would they do with it when they got it?

Mr. MOLSBERGEN. I haven't seen the draft legislation, Senator, but my understanding is that the thing provides for resale in smaller units with government financing over a long period of time. I think if this were done there would be no shortage of people that would want to farm and live on 320 acres. I think that if it is done you are going to have to furnish availability of crop financing.

Senator TAFT. Why do you say 320—is that for two persons?

Mr. MOLSBERGEN. That is a man and his wife, yes.

Senator TAFT. How about the State rather than the Federal government; can they do it?

Mr. MOLSBERGEN. I am not as familiar with the situation in the State water areas. I would not want to try and farm any crops I can think of on \$37 an acre-foot water and this is what the high price is down in Kern County. I think that with the costs those people have there it is just questionable whether there is any way to come out unless you have an oil well on the south 40 that is pumping all the time.

Senator STEVENSON. Thank you very much, Mr. Molsbergen. Your testimony is very important for an understanding of the many issues concerning rural America, and I appreciate your taking time out of your busy schedule to appear.

Senator STEVENSON. We will now hear from Dr. William Wood of the University of California. I understand that you will testify about both the effect of marketing orders, and on the Williamson Act.

**STATEMENT OF WILLIAM W. WOOD, JR., PH. D., ECONOMIST,
UNIVERSITY OF CALIFORNIA**

Dr. Wood. Thank you, Senator Stevenson, Senator Taft.

As requested, I prepared two statements, one with respect to the California Land Conservation Act of 1965 and the second with respect to marketing orders, and these two as far as their preparation and presentation are in no way connected.

This statement was prepared on request and if you like I will read it or I can try to very briefly summarize it.

Senator STEVENSON. I think it would be preferable, in order to save time, if you would summarize them both. I will, without objection, enter both statements in the record.

Dr. Wood. Thank you.

The first one is with respect to the California Land Conservation Act of 1965, as amended, otherwise also known as the Williamson Act.

The first point I would make is that there are a number of objectives either in the act or implied with respect to the act, and I have listed five that are alluded to either in the legislation or by observers of the act over time.

The first objective was to save California's prime productive agricultural land. Of the 9½ million acres that are currently under contract under enabling legislation, about a quarter is prime land and very little of that is in the choice alluvial flood plains areas of the State. I would suggest that the success of the act in achieving this objective has been minimal.

A second objective was to facilitate more effective local land use planning. I suggest with the exception of one or two counties, notably Napa County, the objective has not been achieved.

A third objective was to retain open space. One of the difficulties, of course, is that open space is a very desirable but vague concept, nobody has gotten to the point of defining it adequately and as a re-

sult I question whether we have achieved something that is indefinable, at least at present.

A fourth objective was to correlate appraised property valuations with potential income. With respect to that land that is under contract, I think given the amendments to the state constitution, article XXVIII, this objective has been achieved.

The fifth objective is to avoid "leapfrogging" urban development, and I don't see any evidence whatsoever that this has even been looked at.

Two other points in evaluating the act, No. 1, it is enabling and not mandatory and; therefore, 42 counties have seen fit to make it technically available out of California's 58 counties. There are three or four cities that have made it available and likewise it is enabling with respect to property ownership and therefore the property owner need not sign a contract.

Another facet of evaluation has to do with incentives. With respect to the property owner the incentive for signing a contract, restricting his use, has been proposed reduction in appraised value and, therefore, taxes. This has been to some extent available although not in all cases, and least, really, with respect to prime land.

And then with respect to local government there has not been replacement funds, either through alternative sources or State subvention funds.

Experience with the act. I suggest there are three areas—

Senator STEVENSON. Could I just interrupt, Dr. Wood, to ask you one point for the record. Could you please describe how the Williamson Act works, if it does?

Dr. Wood. Yes. If it does. The act, as I say, is enabling, it permits local government by ordinance, either city or county, to establish what are termed agricultural preserves. In essence, these are nothing more than local zoning ordinances comparable to exclusive agricultural zoning or some other category with which you may be familiar. This is the first step in the process.

There is a second and necessary step and that is the contract. This is a legally binding instrument and it is signed jointly by the property owner and local government at the volition of both. This means you have to have two consenting parties. The contract is for a minimum of ten years, some counties require a minimum of 20 years. It specifies that the land shall not be used for other than agricultural production and certain defined compatible uses. I will suggest that in some areas of the State we run into some difficulties in defining compatible use.

As a matter of fact, in one county that I will not embarrass in public, I think you can interpret compatible uses as almost anything you wanted to do on that land. This makes it very questionable as to the effectiveness of a use restricting contract. That's essentially the system.

Now, the impact with respect to restriction on using land in other than agricultural production is in the terms of the contract. As far as the property owner is concerned, his protection is in amendments to both the State constitution and the Revenue and Tax Code which, in effect, say to the assessor in each county, that if there is a definable

use restriction, legally definable use restriction on land, that assessor is prohibited by law from using sales data in appraising the property. In terms of appraisal method, this means that the only method available to him is capitalizing potential income. And since potential income is restricted by the use contract, then you are saying whatever income that you can project from legally permissible uses.

Is that adequate, may I ask, to the operation?

Senator STEVENSON. And the appraiser is then prevented from considering the highest and best use of the land by the contract in determining its value, is that part of the problem.

Dr. WOOD. The contract, in effect, defines agriculture as highest and best use. One of the difficulties, and speaking as an economist, I think in some respects we are damned by the economic phrase, highest and best use as it has traditionally been used in economics, because we define highest and best use as what a knowledgeable buyer and seller in a marketplace are willing to pay and receive for land for potential uses, and as you get limited land resources, and this is one of the major issues it seems to me, then the marketplace may not be an adequate determinant with respect to land use, and highest and best use may have to be redefined. And this is one of the things that the restrictive contract does. It, in effect, redefines highest and best use.

Senator TAFT. Mr. Wood, just to make sure I understand, is it true that with this choice up to the land owner there could have been a complete patchwork situation of one farm under a contract and one farm not under it? There would be no relation to the overall land use planning?

Dr. WOOD. That is correct, unfortunately.

There are one or two counties in the State that have made a reasonably good effort in using the act in conjunction with zoning. I mentioned Napa County, they established agricultural preserves, three of them for the county, and then whether or not there was a contract, at least the land within the preserve was defined for certain types of use. It is not as restricted in terms of its changing use over time, as it would be under contract, but at least they made the effort.

Senator TAFT. If you use the zoning and use it fairly rigidly as you indicate, do you limit the use with the limitation of automatically having the effect that we are describing of reducing the appraised value or keeping it down?

Dr. WOOD. Absolutely. One of the points, unfortunately, as I bring out in public issues or public policy issues, is that zoning is delegated to local government and local government is, in effect, elected to make optimum shortrun decisions and one of these frequently is to change the zone on land which may not be in the long-run interest of that resource use.

Senator STEVENSON. That's very helpful. Thank you, Dr. Wood. Please proceed.

Dr. WOOD. With respect to experience with the act, I point out three items, the major one, it has intensified and focused attention on the problems of school district financing because it has in some areas reduced the tax base for local school districts. I think it does raise the issue of how you finance both public education and public

welfare and there is some reason to believe that the real property tax is not adequate for the chore. At least the act does focus attention on this.

Second, the act has been used by agricultural operations in some relationship to their size. Unfortunately, or fortunately, depending upon your point of view. The act is very strongly related to size of operation and the planning horizon of the actual agricultural operation, and as a result many of the users of the act are in fact, No. 1, very large operators and, No. 2, of corporate structure, since there is a longer planning horizon than a single proprietorship.

And this has some bearing with respect to some indeterminates, namely, what will happen in terms of inheritance tax treatment, how is it evaluated in the estate. There has been some indication in terms of the State of California how it will be treated, but so far I know of no indication by Internal Revenue as to how land under contract will be treated for evaluation purposes in estate handling. So this raises an issue.

The third point is that implementation of the act has, as Senator Taft very aptly suggested, been sort of a hit-or-miss proposition with respect to it, as against with zoning, and as a result in many instances it has been even more politically motivated at the local effort, in an effort to sign a contract with that particular landowner who may have complained the most loudly.

I think there are some public policy issues raised and I will just briefly mention these. The first one is the longrun public interest in saving productive land in order to insure a food supply. Under this I would list, is there or is there not the possibility of a famine, and I don't propose to get into an argument or discussion as to whether this is an issue, but it has been raised.

One concern, however, with respect to California agriculture and the number of specialty crops has been the matter of consumer choice, and some of those commodities that are very specialized and localized with respect to production, and whether or not there is an interest in keeping some of those commodities as viable products in the marketplace. There are some other matters.

The second public policy issue is this matter of the land tenure system. There have been critics of the Williamson Act suggest that it is, in fact, contributing to an unsatisfactory land tenure system, that is, corporate entities who are owning large parcels of land. I would suggest, however, as I indicated earlier, that there is some reason within the act why the signing of a contract is of more interest to a large corporate structure than a small, single proprietorship.

The issue of land tenure or land ownership patterns I think need to be dealt with separately from the concern over trying to plan natural resources over time.

The third issue is this matter of alternative revenue sources, and this is of critical concern in California today with respect to both education and human welfare.

The fourth issue is this matter of local governmental control, whether or not local government can, in fact, adequately plan resource use over time, and then a fifth one that I have suggested is

this matter of open space. Are we finally going to define it in some meaningful way and if we do define it, then how is it going to be paid.

My conclusion with respect to the California Land Conservation Act is that it has not been a howling success. It has a great many shortcomings and fallacies; on the other hand, it is the only bit of public policy currently directing itself to a very limited resource, that of land.

That will conclude all my comments with respect to the California Land Conservation Act.

(The information supplied by Dr. Wood follows:)

THE CALIFORNIA LAND CONSERVATION ACT OF 1965

(WILLIAMSON ACT)

An evaluation of the Williamson Act must consider many facets of this public policy. There are a number of objectives, either stated explicitly in the original Act or inferred by program observers during its existence. These objectives and the degree to which they seem to have been achieved are as follows:

1. To save for future use California's prime productive agricultural land. Of the nearly 9.5 million acres currently under contract, slightly over one-quarter is prime land and this rarely in the choice alluvial flood plains. As a result, one would conclude that the Act has had only minimal success in achieving this objective.

2. To facilitate more effective local land use planning. With minor exceptions, such as the County of Napa, this Act has not succeeded in achieving this objective.

3. To retain open space. With a substantial acreage under contract, one might attribute partial success in achieving this objective except that open space remains a vague concept, particularly with respect to potential use and geographic location.

4. To correlate appraised property valuations with potential income generating ability. With respect to the land under contract this inferred objective has been substantially achieved.

5. To avoid "leapfrog" urban development. This objective has not been achieved.

In addition to achieving objectives, another aspect of evaluation is the fact the statute is enabling and not mandatory. As a result, only 42 of California's 58 counties have made the Act available. Among those declining to utilize the Act are some major agricultural counties such as Los Angeles, Merced, and Sutter. By the same token, implementation of the Act by local government does not insure full acceptance since land owners have the option of signing contracts. In some areas agricultural preserves have been established, but contracts not initiated by land owners.

Another facet of evaluation has to do with incentives offered for implementation. The strongest incentive to land owners, that of reduced property taxation, has had the strongest economical appeal to the least productive agricultural land in the state, primarily because that land (range land) has the least number of use alternatives. For the very prime productive land, which is generally in close proximity to urban development there are many more alternatives. With respect to local government the financial incentives has been entirely lacking since there is no prospect for either replacement revenue or state subvention funds.

EXPERIENCE WITH THE ACT

Three major observations seem appropriate with respect to the Williamson Act in California.

1. The Act has intensified and actually focused attention on problems of school district financing. Thus, critics of the Act suggest that its use is responsible for the financial distress of some school districts. However, they are addressing themselves to symptoms rather than the basic problem. As the State Supreme Court has recognized, the basic problem continues to be a financing

system for school districts based upon a frequently inadequate and often inappropriate asset base.

2. The Act has been used by a number of agricultural operations characterized by significant size. One might observe that use of contracts under the Williamson Act have been very strongly related to the size and planning horizon of the land unit operators. This is a function of many factors, including economic scale of operation and business continuity.

3. With minor exceptions, implementations of the Williamson Act has tended to be politically motivated rather than integrated with appropriate land use planning functions. Thus, establishments of agricultural preserves and the signing of contracts has been more a function of taxpayer difficulties than concern with the resource base.

PUBLIC POLICY ISSUES

An evaluation of experience with the Williamson Act suggests a number of public policy issues which may be very controversial and for which accurate information may be lacking. Among these policy issues are the following:

1. A long-run public interest in saving a productive land base in order to insure a future food supply. This particular issue has several components. Among the components of the food supply issue are:

(a) The political reality of concern over a potential future famine in the face of current surplus agricultural production.

(b) The real importance of maintaining a maximum number of consumer choices among commodities in the face of a market system which may not transmit value back to producers with sufficient speed to insure continued production of a given specialty crop.

(c) The possibility of technological developments which might provide alternative future nutrient supplies, and

(d) The magnitude of land requirements which might be necessitated by other public policies motivated by environmental concerns which could drastically alter current production methods.

2. The land tenure system is a matter of concern to some observers. Critics of the Williamson Act have attacked it on the basis of large corporate entities utilizing contracts to gain property tax reductions. As indicated above, within the framework of decision-making, this should be an expected result. Concern over the size and distribution of land ownership patterns is a separate policy issue and in all probability should not be confused with an evaluation of the functioning of the Williamson Act. In addition, there is a growing concern over conflict between public and private interests in land use. The basic issue in this facet of land tenure is whether real property is a private asset over which the public asserts minimal influence on use or is principally a matter of public interest in which certain use rights are delegated to individual citizens. Still another facet related indirectly to the land tenure system and to public interest is a matter of public access on privately held real property.

3. A very critical issue previously mentioned is a matter of alternative revenue sources through which local governmental services are financed. This issue is particularly critical with respect to education and human welfare.

4. In attempting to plan resource use, a critical policy conflict develops between adherence to local governmental control and a more regional state or federal approach.

5. The issue of open space, except in terms of a philosophical background, has not been resolved with respect to what constitutes open space, what kinds should be available, how much of each kind of open space and most difficult, who will pay for the availability of open space.

CONCLUSION

The California Land Conservation Act of 1965, as amended, is in no way an ideal bit of legislation. By trying to achieve numerous objectives which are at times incompatible, the Act tends to be inadequate; however, the Act has achieved some measure of success and in addition has provided the opportunity to focus adequately on the basic problems of resources planning. Critics of the Williamson Act tend to demand its repeal on various grounds such as inequity or inadequacy. However, with all its faults it is at least a start towards achieving an effective land use policy. Rather than abolish the Act, one would

hope that public policymakers would address themselves to both improving the efficiency of the Act and to rectifying the more basic problems on which the Act has focused attention.

Senator STEVENSON. Why don't we proceed with your statement on marketing orders, and then perhaps we will have time to come back to both.

Dr. WOOD. Fine. The report of marketing orders is a little more difficult and I think in the interest of time I will be even briefer in my comments because the alternative is to read it in its entirety.

First of all, I think there has to be an understanding that marketing orders have grown out of voluntary programs as an attempt on the part of the producer to do something with respect to his marketplace. There are three basic types of provisions under marketing orders that are possible. The first type of provision has to do with the manipulation of total market supply. This can be with respect to time, with respect to space and with respect to form. You have prorate programs which prorate the commodity over time such as the citrus industry has, you have commodities that have marketing orders with surplus disposal programs such as the almond industry has in which you treat each crop year as a distinct marketing problem, and you have some that will distinguish between fresh and processed form.

You can also at times interpret some size regulation as being, in effect, an attempt to manipulate supply.

The second type of general regulation permitted under marketing orders, both State and Federal, and I should preface this that I am treating both those under the Agricultural Marketing Act of 1937, at the Federal level and its counterpart at the State level. They are essentially the same. The second is in regulation of practices that are associated with the trading of specific commodities. These may have trade and size regulations and may be under fair trading practices, these sort of things.

And the third is those provisions that attempt to expand the market demands for a commodity through either industry research and/or industry advertising and promotion. Some of the marketing orders, such as the almond order, have had some amount of success, attempted through research to produce new products. At one time the almond industry did not enter the consumer market to any large extent and it was under the marketing order with the possibility of everyone footing the bill and everyone participating that this was undertaken.

I draw some very generalized observations and conclusions with respect to marketing orders. Now, obviously, any generalization is very difficult and it is fraught with danger, because with any generalization I make you are able to find an instance where that does not hold: I recognize that but I felt it was important to have some general observations.

One, marketing orders tend to permit smaller and sometimes marginal producers of a commodity to remain in production although individually they may have virtually no market power. It simply provides the smaller producer with an opportunity over time to stay in business.

Now, as I say, that is a gross generalization, and it varies both with respect to areas and with respect to commodities. In the long-run marketing orders which attempt to manipulate supply may be disadvantageous to all initial growers. As a matter of fact, I would go so far as to suggest there is little evidence that marketing orders have been successful in longrun supply control problems, and that is not to say they have not been useful. Consumers may pay a higher price for commodities in the shortrun than would occur without a marketing order simply because in some orders you are removing part of an excess supply.

On the other hand, there is some evidence to suggest on those orders that do have supply control provisions that in the longrun the consumer may, in fact, be paying a lower price simply because it prohibits the possibility of monopoly control in some commodities, and I recognize with some of the testimony that you have been receiving and some of the positions that are being taken that this may be again a questionable comment.

Marketing orders are specific with respect to commodity. In other words, you have one for plums or almonds or navel oranges, and as a result there is an interdependence among commodities and, therefore, any time you try to be too successful with a marketing order your consumer is going to shift to a competing product, a competing commodity. I suggest that the generalization of information, for example, has been very useful and perhaps more so to the smaller producer than the larger, that the larger the producer the more he may have access to marketing information and so forth already.

One other final comment on this, the existence of marketing orders and the personnel who have administered them may have played a significant role as a conciliating agent between producers and the first buyers. And I think there is some evidence over the years that this has had a beneficial impact.

Marketing orders I think have made a significant contribution to agriculture in California particularly. I think they have been helpful perhaps in relation to size, more to the smaller producer than the larger because he has had less market power, less information and less ability to continue. And the marketing order has, in fact, been an extension of the traditional voluntary marketing approach, except it has used specific powers of Government to help augment that.

I think with that I will close, Senator and let you ask whatever questions you wish.

(The information supplied by Dr. Wood follows:)

MARKETING ORDERS

Marketing orders and agreements have been an integral part of the market structure for many of California's specialty crops for over 30 years. Any attempt to evaluate the impact of marketing orders on the social and economic structure of rural America must begin with an understanding of both the framework within which and the objectives toward which marketing orders have been utilized. Authorized under both state and federal law, marketing orders had and continue to have as their major impetus, the desire on the part of agricultural producers to gain a more favorable voice in the marketplace.

Marketing orders grew out of voluntary programs which had been attempted by a number of marketing cooperatives during the 1920's and 1930's. The

critical distinction between a voluntary program and a marketing order is that while marketing orders must be voluntarily adopted by a majority of the producers of a given commodity, once that majority has so decided, the marketing order becomes enforceable on all producers during the effective life of the order. The combination of voluntary adoption by majority rule and the use of governmental police power represents a unique type of public program. It represents a combination of the use of defined regulatory power of government with self-administration and self-financing of the program by producers, and frequently handlers, of the agricultural commodity. Technically, the legislation which authorizes marketing orders both at the state and federal level, is enabling and thus regulation cannot be imposed unless a substantial majority of producers so desire.

The economic rationale of the statutes which enable producers to initiate a marketing order derives from characteristics of both agricultural commodity production and of the markets for those commodities. With respect to production, variation in output due to many factors has historically produced supplies which have fluctuated rather widely from reasonable equilibrium levels. From the standpoint of market, although the number of producers has decreased steadily for several decades, nearly every commodity is characterized by a substantial number of individual producers, few, if any, of a size sufficient to have an influence on terms of trade. However, for most commodities the number of buyers at some stage in the marketing channel has been relatively few. Likewise the demand for many agricultural commodities has been rather insensitive to variations in supply, resulting in substantial instability in both commodity prices and producer income. The concept of a marketing order is an attempt to overcome at least a part of the problems of instability.

The essence of the statutes enabling growers to initiate marketing orders is found in three major types of activities:

1. Manipulation of the total market supply of the specified commodity so as to allocate that supply among markets in time, space and form. The most common activities pursued in this context are surplus diversion and rate of flow controls. Used with success to alleviate short-run surplus conditions with attendant abnormally low producer prices, marketing orders have had little or no success in adjusting long-run excess supplies.

2. Regulation of the practices associated with trading in the specified commodity so as to prohibit unfair trade practices, establish grade and standards, and specify appropriate containers and packs. On occasion, quality control measures have also been used to adjust supply.

3. Attempts to expand the market demand for the commodity through industry research and/or advertising and promotion. Both market and product development have been significant accomplishments of many marketing orders. New product forms have been developed to satisfy consumer demands with the marketing order ensuring total industry support in costs and benefits.

With the exception of federal milk orders, the enabling statutes do not authorize price fixing and do not authorize acreage controls for any commodities.

No marketing order need include more than one or two of the available provisions. Each marketing order is tailored to the needs of the commodity for which it is intended. As a result, virtually every marketing order is different and generalizations not only are difficult but misleading.

With an understanding of the structure of agricultural commodity production and marketing and provisions permitted under statutes enabling marketing orders, a number of observations can be drawn with respect to the probable impact of marketing orders, at least for producers of the commodities in question.

Marketing orders tend to permit smaller and sometimes marginal producers of a commodity to remain in production, although individually they may have virtually no market power. On the basis of market strength, very small producers have more to gain from marketing orders than very large producers.

In the long run, marketing orders which attempt to manipulate supply may on occasion be disadvantageous to all initial producers since excess resources may be attracted into commodity production.

Consumers may pay a higher price for the commodity in the short run than might occur without a marketing order. The distinction is a matter of price stickiness and hinges on the extent to which depressed producer prices in a

situation of excess supply are adequately reflected at the consumer level, that is, as producer prices fall, how responsive are consumer prices.

Since marketing orders are specific to a commodity, it is virtually impossible for marketing order regulations to so short product supply as to maintain excessively high prices since consumers will promptly shift to competing commodities.

In the long-run, consumers in all probability may pay lower prices for a commodity regulated under a marketing order if one assumes that with the absence of regulation, depressed economic conditions would force a number of producers out of production, leaving a relatively smaller number of producers who might then be in a position to exercise market power without the direct regulation of government.

Since one of the major functions of all marketing orders has been the generation of data and increase in information about the commodity regulated, an inverse benefit may well have accrued with respect to producers size, that is, the smaller the producer the more he has benefited from increased knowledge about the commodity and its markets.

The existence of marketing orders and personnel who have assisted in their administration has in all probability played a significant role in conciliating differences between producers and first buyers.

Marketing orders have provided a forum through administrative committee meetings by which all industry members may participate and industry problems and opportunities may be thoroughly considered and faced.

For many commodities marketing orders have in fact functioned as an extension of the marketing cooperative concept. While no commodity group need have a cooperative marketing organization in order to initiate a marketing order, a substantial number of those commodity groups who do not function with a marketing order do so as a result of first having a marketing cooperative which marketed a substantial portion of the commodity in question. The underlying concept, both with respect to marketing co-ops and marketing orders is one of strength through group unity as against weakness on the part of individuals.

SUMMARY

Marketing orders have undoubtedly made a significant contribution to increased stability for many commodities. They likewise may have permitted areas of specialty crop production to compete and a large number of producers to continue in agriculture by permitting them to retain a share of markets. However, there is little or no evidence to suggest that marketing orders have had measurable success in preventing long-run excess supplies of commodities due to either expanded production or decreasing demand.

Because of the very great diversity among marketing orders and the commodities which they regulate, no over-all evaluation is completely valid. Exceptions can undoubtedly be found to any observation. Thus, any rigorous evaluation with specific comments must of necessity refer only to individual marketing orders.

Senator STEVENSON. Dr. Wood, you have indicated that marketing orders do afford the farmers some stability. What price do the consumers pay for that stability? Are there any figures available on retail price increases attributable just to marketing orders?

Dr. WOOD. I don't know of any that are. Now, in the short-run, as I tried to indicate, I suspect that in those particular marketing orders that have volume control regulations, and I want to underline that there are some 65 marketing orders in the State of California, both State and Federal, and I guess it is about 15 or 16—my memory doesn't serve me very well—that have volume control regulations. Many of them, a far larger majority, are for collecting funds for both research and advertising promotion, product promotion, the generic type.

With respect to those that do have volume control regulations, the object, obviously, in the short-run is to increase price both to the producer and presumably on to the consumer. In a situation which, if we are correct, and the elasticity of demand for food is such that with any appreciable increase in supply that the price is going to drop out of sight, then your effort is to tailor supply to what the consumer will accept. Obviously Federal legislation, at least, prohibits any restriction that would bring the price above parity. Once it is likely to reach parity, then the program restrictions must be removed. On the other hand, rarely has there been any evidences in the commodities with which I am familiar of success in raising prices that much. By and large it has been short-run.

In the long-run, as I say, you may argue, and, of course, depending upon points of view, you can get pretty stiff arguments among "professional economists"—not that that means very much maybe—that in the long-run consumers may, in fact, for some commodities pay a lower price than they would otherwise if you presume that certain producers and marketing firms would be able to corner a supply of the market.

I might say in passing, this was part of the justification for California adopting the State Milk Stabilization Act, which is the only one of the marketing order types that does anything with respect to price. You see, marketing orders specifically prohibit direct manipulation of price although they may indirectly through manipulating supply.

Senator STEVENSON. What would the effect be on the farmer if there were no marketing orders in California?

Dr. WOOD. My presumption is that you would undoubtedly have a much more rapid decrease in the number of producers in California than has already occurred in those specialty crops that have operated under marketing orders.

Senator STEVENSON. Is the California system unique in the country? Do other States follow the same pattern?

Dr. WOOD. California uses it more extensively. Florida has several marketing orders; Colorado has one or two. But by and large they have not been used. There is some evidence to suggest that they work best on certain sorts of perennial tree crops, for example, that are specialty crops. The efforts, for example, with respect to table eggs would have had rather questionable probability of success if the producers had seen fit to vote for it.

Senator STEVENSON. Returning to the Williamson Act, for a moment. Both Senator Taft and I are also members of the Senate Banking, Housing and Urban Affairs Committee. We have recently been concerned with developing new Federal programs for so-called community development—with many of the grant-in-aid programs, model cities, section 701 planning concepts, and the like. This is a general question, but the planners who appear before the committee are really uniform in their opinion that, to make any sense out of life in our metropolitan areas, we have to have regional planning and statewide planning, and many feel that to get that planning

there is going to have to be a Federal stimulus, both the carrot and the stick, both the money and some incentives.

From what you said about the Williamson Act, I see substantial difficulties in developing comprehensive and sensible land use plans for metropolitan areas. But how do you see the Federal role and what, if any, alternative approaches do you see to the Williamson Act in California? Is it doing more good than harm at the moment? If it is doing good, are there other things that might be better, that might be more compatible with the priority that many of us attach to regional planning?

Dr. Wood. Well, my judgment is as follows: the act is doing more good than harm at present in California, on the whole. There are some exceptions, since you almost have to look county by county to really evaluate, and there are some counties that are dismal failures and where the good, I am sure, does not exceed the problems it is creating.

The approach I would suggest is there is going to have to be an amount of regional planning. It seems to me you have to look at several policy goals and try to compromise among these in some reasonable fashion. Local control is a great concern to many local governmental units, and as a result the Association of Bay Area Governments and the Southern California Area governments, neither as regional governments, are very potent, and only in certain areas, as mandated by State law, do they have any teeth whatsoever. As a result, this matter of local control and adherence to local decisions with respect to that, to land use, for example, you have a problem.

The second is how you finance local governmental services, particularly with respect to education and public welfare. I think there have to be alternative suggestions.

It was suggested in California that the real-planner of land use of the State of California, by default, is the assessor, because the constitution says he must use fair market or full cash value. As long as he must do that, and the market place is dictating how people are going to, what they are going to pay for land, then the assessor, in effect, is planning how this is going to be converted to higher and higher uses in the marketplace terminology. So we are going to have to solve that problem.

If you are really concerned, for example, with respect to equity in land ownership, there is a problem here. On the other hand, you have a restriction and a public interest, so the issue really is the matter of private property ownership. I have suggested this to some groups, on the danger of perhaps getting tarred and feathered, that if we are really concerned with effective long-run planning of our resources we have to look at our adherence to private property ownership principles, whether or not it may, in fact, be of public interest that's delegated to certain private citizens, almost in a stewardship fashion rather than private ownership in which there may be certain public interests controlled in a minimal way. That's a very difficult one, and that has to also be put into the model.

So, in answer to your question, I don't think there is a simple answer. I think regional government, and your quirt and stick suggestion, I think, are necessary. But regional approaches to land use planning are probably going to have to occur, in which case we are going to have to have definitions of how we want to use land resources over a time. Right now we have neither a State nor a Federal land use policy, even though there was an indication in the President's message a year ago, a year and a half ago.

Senator STEVENSON. Do you, in California, even know who owns the land, and how the land ownership is distributed among corporations and individuals? Is there any State agency that inventories or should inventory land?

Dr. WOOD. No. The State office of planning, which has just recently been, in essence, abolished, was a natural depository for that sort of information. Our commitment at the State level is almost nil in this area.

Senator STEVENSON. Your commitment is the same as the commitment of almost every other State in the Union, and the commitment of the Federal Government?

Dr. WOOD. Hawaii does have a commitment, which has not proven to be particularly successful either, as I understand, in talking to my colleagues at the University of Hawaii where the State has taken a commitment with respect to land use but not with respect to ownership patterns.

Senator STEVENSON. Senator Taft.

Senator TAFT. I don't have any particular question on these areas that you have covered. I would like to ask you, if you can, to relate each area in a very general way and as briefly as you can, to the basic responsibilities of the committee. That would apply to the use of migrant labor and the question of the applicability or desirability of having applicability of the National Labor Relations Act to farms and also to the question of collective bargaining for farmers in their marketing process.

Dr. WOOD. I will be honest, Senator Taft, I am not sure I can, because when I was approached and asked if I would prepare a statement on, first on the California Land Conservation Act and then on marketing orders, my question was how does this relate. The response was that this was to look at these two public policies and their impact upon the economic and social structure of rural America. Obviously all sorts of public policies are interdependent, but I am not all that clear in my own mind as to the direct relationship with respect to questions of migratory labor or with respect to labor relations types of policies, so I am afraid I can't give you a satisfactory answer.

Senator TAFT. Nevertheless, the background you have given us should come into play in making these decisions, it will be very helpful. Thank you.

Senator STEVENSON. Thank you very much, Dr. Wood.

(The following letter was received from Dr. Wood following the hearings:)

**AGRICULTURAL EXTENSION SERVICE
UNIVERSITY OF CALIFORNIA**

RIVERSIDE, CALIFORNIA 92502

January 31, 1972

The Honorable Adlai E. Stevenson III, Chairman
U. S. Senate Subcommittee on Migratory Labor
Room 201 Senate Annex
127 C Street, N.E.
Washington, D. C. 20510

Dear Senator Stevenson:

In listening to and reading about the recent Subcommittee hearings in California, some observations come to mind that I would like to share with your Subcommittee. This letter may become a part of your hearing record or otherwise considered at your discretion.

Attacking size as being somehow villainous, per se, seems to be a popular activity. At times, and perhaps frequently, such attacks may be justified although not always based upon clear and thorough analysis. In the case of large business entities engaged in agricultural production, caution seems warranted when generalized attacks on size are being considered, particularly by public policy makers. Two aspects of the situation need attention.

The first item is a clarification of what factors create the villain's role. Size is relative and larger size operations result from many factors; they also can be characterized in several ways. Characteristics of size may include number of acres owned, total product produced, amount of resources controlled, access to production inputs from outside agriculture such as capital, or degree to which centralized management decision-making has occurred. While these characteristics may result from differential treatment under tax codes or greater economic, political or social power, they also clearly result in many cases from the necessity for both economic and technical efficiency. This is particularly true as agricultural production becomes inevitably only a stage in the total food and fiber complex.

The point of the above is to caution that policies designed solely to restrict size in agricultural production may well have implications unacceptable to either consumers or traditional agricultural producers. Revisions of tax codes, restrictions on land ownership or capital access, or limitations on concentrating management decision-making may well be justified but the costs of such policies to consumers and/or restrictions on traditional agricultural producers not clearly envisioned.

The Honorable Adlai E. Stevenson III
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The volume of commodity production is not apt to change appreciably whether the number of producing units is at present levels or tenfold higher. Except with a very limited number of producers, it is generally the amount of production that determines price and not the number of producers. However, the margin of profit per unit times the number of units determines producer income. Thus a small number of units produced generates low income, the frequent result for many small producers.

The second item relates directly to migratory as well as general farm labor. There is no evidence, of which I am aware, that socially and economically acceptable labor relations in agriculture are inversely related the size of the hiring production unit. In fact, casual observations over the years suggests the opposite may be more true: that the acceptability of labor relations (treatment, management?) increases with the size of the production firm. Thus from the standpoint of migratory labor, efforts to improve their social and economic lot may be more rapidly achieved with fewer large operators than a multitude of small ones. Not only are individual attitudes involved but also financial resources and the extent to which a firm's labor relations receive more general attention.

Whether one is concerned about migrant labor, rural labor, land ownership patterns, or concentration of decision-making, the suggestions of an ideal public policy position may satisfy one goal or objective with respect to one situation. However, each policy has many implications and trade-offs among both goals and situations are inevitably required. Hopefully, we can identify most ramifications of public policy so that a determination can be made as to whether the results achieve a desirable mix of goals and objectives. Obviously not all points of view can be completely satisfied. However, there may be a question as to whether some groups would really desire policies they currently support if they clearly and fully understood all the implications of such policies.

Very truly yours,

William W. Wood, Jr.
William W. Wood, Jr.
Economist

WWW/r1

Senator STEVENSON. The next witnesses are Mr. Juan Rios and Mr. David Talamante, Tri-County Economic Development Association.

Mr. Talamante, would you identify your colleagues.

Mr. TALAMANTE. Yes, Mr. Chairman.

Mr. Esqueda is going to translate for Senor Manuel Leon, who is the vice president of the Greater California Education Project, encompassing the entire San Joaquin Valley, and one of the founders of What We Need, a small grape co-op that they are forming in Ripon, Calif., in San Joaquin County, and Mr. Leon will give testimony first, Senator.

Mr. ESQUEDA. This is the statement of Mr. Manuel Leon, vice president of Greater California Education project. He is a founder of El Porvenir, a corporation for the betterment of all farmworkers in the great State of California.

Mr. Leon has served also as a delegate to the White House Conference for the Aged in Washington and has been very active in the Campesino movement in the Greater San Joaquin Valley, which comprises nine areas and eight counties.

STATEMENT OF MANUEL LEON, VICE PRESIDENT OF GREATER CALIFORNIA EDUCATION PROJECT

Estimados amigos, distinguidos señores:

Les pido por favor que me despiensen mi naturaleza sencilla, porque no soy un hombre educado. Aun así, mi corazón está lleno de gusto, porque estoy ante un cuerpo de senadores que han proclamado su deseo de ver mejoradas las fortunas de nuestra gente.

Se han escrito muchas palabras y se han hecho muchas promesas a mis campesinos, que nunca se han llevado a cabo, y que si se hubieran actualizado, nuestra gente se hallaría en un hogar nuevo, lleno con todas las comodidades que actualmente se halla en el poder de todo ciudadano de este país. Esto se hubiera llevado a cabo de acuerdo con las promesas y yo como mis hermanos debería ser una persona bien educada, en un empleo pagado un salario mediano, con todos los beneficio y protección al alcance de todos los ciudadanos aceptados por el sistema, y al mismo tiempo, en una posición de poder conseguir préstamos para empezar una empresa de negocio propio.

No estamos celosos por los millones de dólares que se han otorgado a los rancheros ricos para no producir, ni los millones que se les dan a las compañías ferrocarrileras y compañías aéreas para cubrir robos y mal manejo. Aun así, los artículos el "El Impacto" y "La Opinion" describiendo los billones gastados en viajes a la luna, la Planeta de Mars, y el nuevo programa de viajes en el espacio, no nos molestan muchísimo porque está muy lejos de nuestra comprensión. Estamos pensando únicamente en términos de miles de dólares que esperamos serán invertidos en vidas humanas, y no en maquinaria fría.

Es tan poco lo que pedimos. La mayoría de nuestra gente no quieren cosas dadas gratuitamente. Preferimos trabajar por lo que aspiramos sea como sea, no pasa un día cuando un empleado social o un vecino no nos aconsejan que apliquemos para asistencia pública, estampillas de comida o servicio médico gratis del sistema. No deseamos esto. De-

seamos mejorar por el via del empleo, y aun más por agencias de empleo propio.

Es un hecho que muchos de mosotros hemos hecho todo el trabajo, menos el de administrar ranchos en los cuales hemos estado empleados. En la mayor parte de los casos no han dado la tarea de preparar el suelo para plantar las cosechas, nos han dejado determinar la nutrición necesaria para que la tierra sea productiva y finalmente que tienen que aplicar el fertilizante de las tierras. La obra de sembrar, regar, podar, desaijar, fertilizar la tierra no ha sido lo que el ranchero ha hecho. Fuero de la visita ocasional del ranchero, la operación total es dejada en manos de un campesino. Hasta tarde por las noches, hemos estado batallando, para mantener, maquinaria de segandoa mano, una rado de discos sin condición de trabajo, o un arado descompuesto en condiciones deplorables, en un parjar con poca iluminación. Hemas sentido desesperación y desaliento porque tan bien sabiamos que el ranchero rico esta dentro de su comedor en su hogar gozando de la vida como pudieramos haber gozado nosotros.

Para ponerlo en palabras sencillas, nosotros los campesinos, hemos sido el espina dorsal de la agricultura. En esos tiempos los Blancos y los Negros, no se aproximaron a levantar las cosechas, los campesinos memexicanos estabamos alli. Cuantas veces he visto solo un mar de caras morenas, podando, cosechando ó piscando, y cuantas veces he oído al ranchero suspirar cuando llegabamos. La ironia es que como paso nos han tratado como revolucionarios, nos han cubierto con azufre, porque hemos demandado mayores salarios y mejores condiciones de trabajo, y finalmente, a sus legisladores estatales y federales no han negado nuestros deerechos básicos de salubridad, aseguranza, beneficios de desempleo, y el derecho de todos los derechos la oportunidad de organizar empresas propias.

Señores, quiero ser muy franco con ustedes. Esto es muy difiicil para mi porque no estoy acostumbrado a hacer demandas. Mi creencia siempre ha sido en Dios, y siempre he dejado todo en sus manos. Pero ahora, dentro de mi corazon, presiento que él me estuvo poniendo presión que pida esto de ustedes. Por favor señores, hagan posible que mis campesinos puedan comprar sus tierras y cuidarlas con sus propias mano, que estan llenas de amor a la tierra. Como un hombre sencillo, no se como se podrá hacer esto pero, si es posible, podremos desarrollar una vida para si mismo que hara nuestro país más fructifero y estaremos al tanto que, no como otros, nunca nos hemos vuelto violentos para hacer que el cambio sea posible. Señores, la tierra el que quiere la trabaja. Denos esta oportunidad.

Gracias por permitirme revelarles lo que mi corazon siente.

(The English translation of the statement of Manuel Leon follows:)

My dear friends and distinguished gentlemen:

You will please forgive my simple nature because I am not an educated man. Even so, my heart is full of joy because I am witnessing a body of men that have proclaimed their desire to see my people's fortune changed. Many words have been written and many promises have been made to my people that, if they had been fulfilled, would now find me in a new home equipped with all the conveniences presently enjoyed by the average American citizen. This

would have been so because, according to the promises, I was to be fully educated; employed in a job that was paying a better than average salary; have all of the benefits and protection enjoyed by the accepted citizen and would, of course, be in a position to borrow whatever money I might need to start a business of my own.

We are not jealous of the millions of dollars that are granted to rich farmers to hold back production, nor the millions given to railroads and aircraft companies to cover up thefts and bad management. Even the accounts in *El Impacto* and *La Opinion* describing the billions spent in trips to the Moon, Mars and the space shuttle shots do not upset us because that is beyond our comprehension. We are thinking only in terms of thousands of dollars that we hope will be invested in human lives and not in cold machines.

There is so very little that we ask for. The great majority of our people do not want things given to us free gratis. We prefer to work for what we get. As it is, a day does not pass that a charity worker or a neighbor does not press for us to apply for free assistance, food stamps, or free medical care from the authorities. We do not desire this: we desire to make it on our own either through employment or through self-employment.

It is a matter of record that many of us have all but managed the ranches at which we have been employed. In most cases we have been given the job of preparing the soil for planting; have been left to determine the amount of nutrients needed to bring the soil to a productive level; and, finally, have had to apply the nutrients. The job of planting, irrigating, pruning, thinning, spraying, fertilizing and nurturing the soil has not been one that the average farmer has done. Outside of an occasional visit by the farmer, the entire ranch operation in most ranches is left up to the trained campesino. Late at night, while we were struggling to keep a secondhand tractor, a dull disc harrow or a dilapidated plow in workable condition in some windswept barn under a dim light, we have felt despair and frustration because we were so aware that the farmer inside the house enjoying the warmth of his living room could have been us.

To put it in simple words, we, the campesinos, have been for years the backbone of agriculture. At those times when the blacks and the whites did not show up to bring in the crops, the campesino was there. How many times have I seen only a sea of brown faces pruning, thinning, or picking, and how many times have I heard the farmer sigh a sigh of relief when we showed up. The irony is that as a reward we are being cursed as revolutionaries, are being sprayed with sulfur because we demand better wages and working conditions, and, finally, your State and Federal legislators are denying us the basic rights of health insurance, unemployment insurance, and right of all rights, the opportunity to put together a business of our own.

Gentlemen, I want to be very frank with you. This is a very difficult thing for me to say because I am not accustomed to making demands. My trust has always been in God and I have always left all things to Him. But now, deep within my heart, I feel that He is pressing me to ask for this one thing. Please, gentlemen, make it possible for my people to be able to buy their own land and to care for it with the hands that are full of love for the soil. As a simple

man I do not know how this can be done. But if it is, we will be able to build a life for ourselves that will make this country more fruitful and more aware that, unlike others, we have never resorted to violence to bring about change.

Thank you for allowing me to reveal the depths of my heart.

Senator STEVENSON. Thank you.

Mr. Talamante.

STATEMENT OF DAVID A. TALAMANTE, PRESIDENT OF TRI-COUNTY ECONOMIC DEVELOPMENT FOUNDATION, MODESTO, CALIF.

Mr. TALAMANTE. As Señor Leon has indicated. Mr. Chairman, there is a need for economic development within the farm worker.

About 5 years ago I became involved in economic development programs and started a small grocery store and gas station co-op in Stanislaus, Calif. As my experience grew, so did my knowledge of the cooperative movement. Presently, I am president of the Tri-County Economic Development Foundation. This multipurpose foundation is dedicated to forming farm co-ops with campesinos throughout the central valley. We are starting with a hydroponics greenhouse operation for winter vegetable farming this year.

My testimony today will highlight some of my experiences and philosophies concerning economic development for campesinos and what we feel is the potential for a cooperative movement in rural California.

ECONOMIC DEVELOPMENT FOR CAMPESINOS

Although it is our experience that a campesino-owned gas station, liquor store, or grocery store may accomplish much, as far as psychological impact is concerned, the labor force of a small business falls far short of important vital progress with regard to the thousands of rural campesinos—men who are suffering through winter unemployment, competition with machines, and illegal labor. We shall not dwell on the day-to-day life of the migrant or seasonal campesinos as, I am sure, much testimony will and has been presented about this problem. However, the evidence seems to point toward one direction; down. So we sought a means by which we could involve campesinos economically.

It has been our experience in Stanislaus County that people don't get opportunity, or freedom, or equality, or dignity as a gift, or an act of charity or even Congress. They only get these things in the act of taking them through their own efforts. What direction then should be taken, Senator? We feel the emphasis should be placed on getting a piece of the economic pie and, in order to slice that pie with some authority, campesinos must become part of the corporate economy.

Everybody talks about the high winter welfare rolls. Our Governor Regan vetoes the unemployment insurance for campesinos because it would put the large growers like Tenneco and Standard Oil and John Hancock Life and New York Life Insurance at a comparative disadvantage with other States whose modern-day feudalism is in a more advanced stage than California's. What needs to be done for

the campesinos is to make available to them a part of the power of corporate economy. The campesinos' abilities and agricultural expertise can be utilized to its fullest potential with the projects like winter greenhouse farming. Crops like tomatoes, bell peppers, cucumbers, strawberries, grow extremely well under controlled atmosphere, and the competition in this field is limited, in fact, is almost nonexistent. A whole new industry could be provided in the winter months and the cooperative members would be free to supplement their winter income with field work in the summer when the demand for a resident labor force is high. Other projects, too, are not beyond the realm of possibility. Row-crop co-ops, catfish farming, as co-op structure grows, so does the demand for white-collar supportive employees, accountants, bookkeepers, secretaries, management, education, and what else? A political candidate or two, my friends.

But can the campesino do it alone?

The campesino is rendered almost helpless by community bondage to corporate powers. These corporate powers farm the earth. The goal of these large corporate farms seems to be profit for the sake of more profit. Filled by the concerns for their well-being, our Governor and the university system provide the research for the machines that displace campesinos; they also provide the millions in Federal farm subsidies whose beneficiaries treat these huge sums not as gratuities but as matters of entitlement. Finally, the Federal, State, and local agriculture departments provide great files of research and experiments and experienced staff available only to the established grower.

A good example, Senators, is the Agriculture Department in Stanislaus County, the extension of the University of California. Two weeks ago we approached them and asked them to help us. They termed us disgracing, that we were crooks, that we are crazy trying to form a Campesino cooperative in Stanislaus County, that that information wasn't available to us. This is the people being funded by our taxes, by our moneys, and they get away with this.

Senator STEVENSON. Would you identify that agency again for the record.

Mr. TALAMANTE. Yes. The name of the gentleman is Armand Sarquist. He is the director of the Stanislaus County Agriculture Extension Department at the University of California.

The Campesino would benefit greatly from this wealth of knowledge, all the research and subsidies too.

THE POTENTIAL FOR A COOPERATIVE MOVEMENT IN RURAL CALIFORNIA

In Stanislaus County, as well as across the country, most community governments have their committees on economic opportunity. They all have two things in common. First, they identify what they call positive and negative programs and leaders. Positive means you do whatever government tells you to do and negative means you are so subversive you think for yourself. Secondly, they all hold plans for starting farm or retail co-ops. The cooperative movement in rural California is not a new one. Large, successful co-ops operate all over California. Tri-Valley Growers Canning Co-op, United Grocers Food

Co-op, Norbest Turkey Co-op, to name a few multimillion dollar groups that thrive in Stanislaus County.

The co-op movement has sound democratic principles and could be dedicated not only to teaching people to use the means of production in the most efficient of ways but could provide emphasis through cooperation, on education, and community development.

Now we can talk all afternoon on the relative merits of different economic development programs, unemployment, and welfare plans, the migrant and seasonal Campesinos, displacement by machinery, rural refugees, and I still won't know what the consequences of all these things will be and nobody else seems to know. But we have in our experience learned one simple thing: Regardless of what the situation is, people will not be able to do anything constructive, anything in the free democratic spirit for themselves unless they have the power to cope with the situation, whatever it may be and whenever it occurs. And that power comes from cooperative economic development.

Senators, we need your help in developing and bringing sufficient funds to the rural farmworker, through an agency perhaps composed of strictly farmworkers, so they, themselves, can manage their own moneys and subsidize themselves into farming such as the growers do in the State of California. This, we feel, is a solution to the farmworker in the State of California.

Thank you, Senator.

Senator STEVENSON. I thank you, Mr. Talamante.

You are president of the Tri-County Economic Development Foundation. You say its purpose is dedicated to forming co-ops. Do I understand your statement to say that you are starting now with your first co-op, the Hydroponics Greenhouse Operation? Is that the first one?

Mr. TALAMANTE. Yes, sir.

Senator STEVENSON. Can you tell us about it, how far along it is, what kind of problems you have faced?

Mr. TALAMANTE. The biggest problem we have faced, Senator, is getting the research. We have gone to the University in Berkeley, the University in Riverside, the University in Los Angeles, we have gone to the Agriculture Department, and it is very hard for the farmworker to get the information that he desires and that is needed. We have had nothing but problems.

Senator STEVENSON. What kind of information is that? Could you just elaborate?

Mr. TALAMANTE. Yes. Research on the land and what is available in the county, what kind of land would be best suited or where can we set up our greenhouse operation. All this information is available to the growers, but when we go we can't get it. I sent a white man to get this information for me because I knew I could not get it after I was rejected. When I went, they were giving him the information, but when they found out he was representing a Campesino organization immediately he was refused that information.

Senator STEVENSON. By whom?

Mr. TALAMANTE. By the same man I mentioned before, Armand Sarquist.

Senator STEVENSON. That was not at the University?

Mr. TALAMANTE. That was at the extension, Stanislaus State University of California.

We also visited Dr. Wallace, who is chairman of the Department of Agriculture under the University of California. He was very cooperative, and he told us to go see our local man, but we told him the reason we came to see you is simply because we have been refused these kind of services in our counties.

Senator STEVENSON. Are you now receiving any technical assistance?

Mr. TALAMANTE. The only assistance we are receiving is from Dr. Wallace. But locally we are not.

Senator STEVENSON. From who?

Mr. TALAMANTE. Dr. Wallace. He is chairman of the Agricultural Department of the University of California at Berkeley.

Senator STEVENSON. So you are now receiving some research help from him and the department which he represents at Berkeley?

Mr. TALAMANTE. Right, exactly.

I would like to say one more thing on this, Senator. Perhaps you will see one of the reasons we are going to greenhouses and hydroponics. We have the intention of growing into a 300-acre cooperative farm in tomatoes and bell peppers, but when we went to get the land, to lease the land, land was not available to us, it is so tied up, so controlled, by the powers to be in our county, the same with other counties. We experienced the same thing with Mr. Leon in Sausalito and Lodi.

Senator STEVENSON. Was it not available to you because it was tied up, or because you were regarded as bad credit risks?

Mr. TALAMANTE. That also. We met with representatives of the Bank of America. They felt a Campesino group was a bad credit risk, that they could not fund a business venture composed strictly of Mexican farmworkers.

Senator STEVENSON. Have you acquired credit from a private source for this first cooperative?

Mr. TALAMANTE. At this point, Senator, we are negotiating with the migrant division of OEO in Washington and with the SBA. We have a meeting with the SBA next week in San Jose, the National Economic Development Association, to set up the loan, that's going to make this available to us.

Senator STEVENSON. Are you familiar with the Cooperative Campesino?

Mr. TALAMANTE. Yes, sir.

Senator STEVENSON. Are you sufficiently familiar to tell us for the record a little about the troubles that it confronted in acquiring technical assistance and credit?

Mr. TALAMANTE. I am not a legal representative of the Cooperative Campesino. Mr. Morales did not appear before you today, Senator, so I will just move from that area. It is his responsibility, not mine.

Senator STEVENSON. I am told now by counsel that we will be hearing from representatives of that cooperative in San Francisco tomorrow.

It, too, encountered many of the difficulties you encountered but it overcame them and now it is farming strawberries near Salinas, Calif.

MR. TALAMANTE. I would like to say that part of the grant that we are working with the OEO Migrant Division is going to be divided among them and us. We are both working on the same grant.

Why is it we always have to fall back to OEO funds? Why is it that funds are not made available to us like FHA? There are moneys there for small farming. We went to them. We were refused the assistance. If you look at their board, their board is composed strictly of growers. They are there to assist the farm worker, not just the grower. We have no representation on those boards of farm workers. This is why I say that we have to have a commission made up of strictly farm workers and moneys turned over to this commission so they can fund their own economic development ventures and their own co-ops in the valley.

Senator STEVENSON. In addition to the technical assistance you also need managerial help, help with bookkeeping procedures, and all of the skills, that go into running a business. You are not farming, you are conducting a business which requires more knowledge than simply of the soil and the farming techniques, aren't these latter skills very important to acquire?

MR. TALAMANTE. Yes. I would like to answer that, Senator. As part of the job of this foundation we have with us working three gentlemen. One is Mr. Mike Angelo, who is the son of a man that has chain stores in Stanislaus County. He has been a produce buyer for 15 years and has been in management for 7 years. We have a young man, Stan Nesa, who is the son of a grower that has 3,000 acres in Stanislaus County, who is a plant biologist, who is giving us technical assistance. We have a doctor that's helping us, and we have an attorney from the University of California that is giving us assistance in putting all of this together and giving us the schooling that's necessary to manage our own farms.

Senator STEVENSON. You have, I believe, testified that you were in the migrant stream.

MR. TALAMANTE. Yes, I have, sir.

Senator STEVENSON. How long?

MR. TALAMANTE. Since I was a kid. That's how I landed in California. I am originally from Arizona. The reason we stayed in California is because one year we didn't make enough money here in Fresno where we came to pick the figs to go back to Arizona.

Senator STEVENSON. Perhaps this is a good point to just say a word about the relevancy of these hearings to the lives of migrant farmworkers, particularly since several interested persons have difficulty seeing the relationship. This subcommittee has for a number of years been deeply concerned with the condition of the most under-represented, dispossessed, powerless people in our country, the migrant farm worker. The man without roots, the man who with his family, spends a lifetime searching for work, following the crops across the land has been the focus of this subcommittee's concern over the years. I think this subcommittee has done a good deal to focus public attention, and to bring about some action to help with

the conditions of life of the migrant farmworker and his family. Not enough, not by any means has it done enough. Now we are going beyond dealing just with the conditions, the symptoms, the causes, of migrancy, and we are focusing on efforts to end migrancy as we have traditionally viewed the tragedy. We are looking at efforts and organizations that are trying to give the migrants, like everybody else in this country, a chance to, as Mr. Leon said, buy their own land, and to care for it with hands that are full of love for the soil. That is the relevancy of this hearing—to learn not only about the problems of migrancy, but what alternatives might exist if it is going to end.

Migrancy is going to end, I think. It may be simply because migrants will be, and are being, displaced by machines. I would like to see them find, like most everybody else in this country, a chance to live and to work with justice and dignity. I would like to go even beyond the problems of the migrants, to give other people, many people, in this country a chance to survive in rural America.

That in a nut shell, partly for the benefit of my good friend and colleague, Senator Taft, is an over-simplified explanation of the relevancy of these hearings to the problems of migrants.

Senator Taft, do you have anything to add?

Senator TAFT. Thank you very much, Mr. Chairman.

I think the point certainly has been well made.

I do think it is interesting to view how California perhaps more than any other area in the country, has an inner relationship of the migrant problem with the entire corporate farm and the entire economics of farming. It has always been true here to an extent. But there are new developments that seem to be coming about in the land ownership and land use that, I think, are very definitely related, and I certainly didn't mean in anyway to indicate that I disagreed with the concept. I think it is important to try to establish just what the relationship is and to bring out from witnesses such as Dr. Wood what he feels the background or the particular problems he was discussing are in connection with the entire farm problem. The fact that he didn't feel he ought to testify on that particular area as a matter of expertise, in my opinion, reflects in a way upon the value of the information he provided or its possible usefulness at a later time.

I would like to just ask you, Mr. Talamante, about your efforts to make contacts with various groups to obtain the financing you are talking about for the cooperative.

Mr. TALAMANTE. Yes, sir.

Senator TAFT. You mentioned the OEO approach you are presently making and you mentioned how you have been turned down by the FHA at the local level, is that correct?

Mr. TALAMANTE. Exactly.

Senator TAFT. Did you make any attempt to go beyond that and try to go up the line, so to speak, with the FHA, to get some assistance?

Mr. TALAMANTE. No, we haven't yet, at this point.

Senator TAFT. Did you make any attempt, for instance, to talk to your congressmen and your senators about being of assistance in connection with making such contacts so that you would have some

assurance you aren't just getting brushed off by some individual official or locally oriented situation?

Mr. TALAMANTE. Well, we did since then, Senator. We did a little research on the FHA in Stanislaus county to see who is controlling, who is denying us this opportunity, and this is the point we are at now. We have the information and now we will send it to Congressman Paul, who is a representative from the 15th District, and he is in the county at this point. We met with him yesterday. Senator McKlaus was here a few minutes ago. He is from the 30th assembly district, and he is the vice-chairman of the Ag department.

But, again, sometimes, even though we have democrats saying they are for the farm worker and for the poor people, they are democrats. McKlaus is a democrat. If you see the legislation he introduced at the State level this year, what hope do we have?

Senator TAFT. Well, I wasn't attempting to be partisan about it. I was just saying that I feel—

Senator STEVENSON. I don't feel quite the same reticence.

Senator TAFT. I didn't anticipate the answer that was forthcoming.

Let me go on and ask you also, Mr. Talamante, if you have made inquiries of the Small Business Administration?

Mr. TALAMANTE. Yes. We are meeting with them this coming week, sir.

Senator TAFT. At what level?

Mr. TALAMANTE. At the regional level, San Francisco.

Senator TAFT. At the San Francisco regional level?

Mr. TALAMANTE. Yes, sir.

Senator TAFT. I would urge you to pursue all of those possibilities. I certainly would strive for a situation in which public assistance or even public guarantees for projects of this sort would no longer be necessary and they would be accepted as good credit risks entitled to backing by the private financing community. But to the extent you've found this not to be true, I certainly wouldn't leave any stones unturned. I want to say that apparently you haven't.

Mr. TALAMANTE. No, we haven't.

Senator TAFT. You are proceeding along the lines that I would suggest as well as the possibility of the OEO funds.

Thank you very much.

Mr. TALAMANTE. I would like to say this, Senators. Since we have presented the problems to you, what happens to us that have testified before the national subcommittee before, we usually don't hear from, we usually don't find out what happens to the testimony we give, I would like to count on both of you senators that are here present today to give us all the assistance, whatever is necessary, and to keep communications with the rural Campesinos in the economic development, informing rural cooperatives. We are asking you not to just come and visit us and take testimony from us, but we will continue to make contact with you, hoping that and seeing that you will pass legislation that will give us the right.

Senator TAFT. What I was saying was that I think some of the legislation may already be there.

Mr. TALAMANTE. Then help us enforce it.

Senator TAFT. It means having the merits of the case presented in the right way to the right people adequately so that you can get

some of the already existing authorized help that may well be there. That isn't to say that there isn't going to be a need for additional help. We are talking here only about one project. We are talking about a limited amount of funds. Admittedly, the requirements for the funds may well go beyond the authorization ultimately as other groups such as yours make application for them. But I think that you would certainly be well advised to pursue the course you are pursuing and look for help from your representatives and others in the Congress and the Senate, not merely for the purpose of getting additional authorization but also for the purpose of making sure that in our so-called audit responsibility that your case is given proper attention.

MR. TALAMANTE. Thank you.

I would like to ask one more question, Senators.

Is there any way that your subsidies you have heard of in the last 2 days of testimony can be diverted from the big grower to the small farmer and the small farm worker?

Senator STEVENSON. If I may respond, let me just say that is one of the purposes of this hearing. I read in the newspaper yesterday that the cost of Federal subsidies and indirect subsidy programs amounted to \$63 billion a year and some of those subsidies go to farmers. The fact that so many direct and indirect subsidies go to the large and not to the small is, I think, a reflection of the much greater problems in our society. It is a reflection of the unfortunate fact that too often Government represents everybody except the people. Our priorities are all upside down.

As Senator Taft said a moment ago, and very rightfully, you should pursue all of the programs and all of the agencies of Government that are available. There are programs and agencies which are available to help. He said there is legislation now, and there is.

In the case of OEO funding for co-ops, we passed a bill very recently that doubled the authorization of OEO for the funding of co-ops, and it was vetoed by Mr. Nixon.

So, in addition to going after those agencies and pursuing the programs that are available, I would emphasize, as Senator Taft did, that you also go after your congressmen and your President.

MR. TALAMANTE. Advice well taken.

Senator TAFT. I think I probably ought to, just for the record, indicate that the veto of the President in connection with that bill, was related to other sections.

There have been ongoing authorizations voted for the Economic Opportunity Act, and I feel reasonably certain that there will be favorable action. Certainly, I am sure, Senator Stevenson and I will be doing everything we can to obtain favorable action on further extension of the authorization under the Economic Opportunity Act.

Senator STEVENSON. And child care, I hope, too.

Let me ask you one final question. I was much intrigued by a statement of one of our witnesses [Dr. Peter Morrison] yesterday based on scientific inquiries. This gentleman concluded that migrants were better off, happier, more likely than not enjoying a higher occupational status in life in the cities, than working in rural America. The point he was trying to make was migrancy—the out-migration from rural America into the cities, is not all bad.

I don't mean to suggest that it is all bad. But I ask you, given the choice of earning a living on the farm and earning a living in one of our present cities, crowded and congested—we know how they are—where would you prefer to live?

Mr. LEON. If these things were to be, the Campesino would stay in the rural areas, because this is my culture, this is where I want to be, I am much happier there, and I would stay there if the money is available to enable me to live well.

Senator STEVENSON. Thank you. And so would I.

I thank you all very much for coming to these hearings.

That concludes the list of scheduled witnesses. Several individuals have asked for an opportunity to testify. Senator Taft and I must leave here by 4:30 at the latest, as we must return to San Francisco for the third day of hearings. We do have a little extra time in which to hear from unscheduled witnesses.

I will have to ask those who do testify to confine their remarks to 5 minutes in order to give everybody a chance to testify.

The first witness is Mr. Jack Grimmer, representing the National Farmers Organization.

Mr. Grimmer, would you identify your colleague, please.

STATEMENT OF JACK GRIMMER, STATE PRESIDENT, NATIONAL FARMERS ORGANIZATION, STATE OF CALIFORNIA, ACCOMPANIED BY LARRY WEDELL AND VAL TARABINI

Mr. GRIMMER. Yes.

My name is Jack Grimmer. I am a farmer from northern California, from Colusa County. I am the State president of the National Farmers Organization and representing the northern part.

To my left is Larry Wedell, representing the NFO from the southern part of the State; and

To my right is Val Tarabini, representing the central part of the State with the NFO.

The age of the average American farmer is now 58 years old.

The United States is not going into agriculture simply because there is no profit structure there, but unfortunately, however, we have the conglomerates moving in at a rapid rate. Because of this volume buying and their direct buying, they are not only putting what farmers that are left, like myself, at an unfair disadvantage, but they are literally destroying rural America.

In my area, northern California, we don't have a conglomerate take over, so to speak, anywhere near the extent we see in southern and central California, so at this point I would like to turn it over to these boys here to tell you about that.

Larry.

Mr. WEDELL. Thank you, Jack.

I would very briefly like to mention again, it has been spoken before, the deterioration of rural America, we see it. No longer are farmers trustees in our churches, no longer are farmers managers of our Little League teams. We neither have the time nor the energy to participate in the better things of life and take part in them. It is a fact.

Our small businesses are leaving rural America because again of the fact that for every six farmers that disappear another small businessman leaves the scene, and it all comes down to there is no profit in farming. We hear the great volume of income, there is no profit in farming.

Myself, my brother and I farm 2,600 acres of diversified crops. There is no more efficient operation in the State of California or anywhere else in the United States, and we are not making a profit, and I will challenge any of the corporate farms, Tenneco included, to match our operation. They are not making a profit.

People wonder why their food costs are going up. If this National Government is really dedicated to a cheap food policy, which they seem to have been, then I suggest that they had better stop conglomerate takeover and get to the family farmer so we can have economical food because there is no way that the corporations can compete with my operation.

This last 2 years we have farmed sugar beets out in the west side in the irrigation district right next to the corporate farms. The first year they raised six tons to the acre. I would imagine on 14,000 acres of sugar beets that they lost around \$200 to \$250 an acre. I don't see much efficiency in this. There is no way they can compete with us. There is the matter of management. They cannot manage without private ownership, and, again, as private ownership disappears so will efficiency.

Our National Government's policy is cheap food, so let's keep it cheap and let's keep the family farmers in the business.

Many of the people who have testified here today have spoken about their need for money. I think we had better get a profit so we can have some money to support many of these operations. And they talk about our school taxes going down and our school cannot keep our teachers' wages up. This is right. Why? Because there is nobody to pay the taxes. There isn't a corporation that has ever been established that was set up to pay taxes; they were established not to pay taxes, and that's exactly what they are not doing; they are not paying taxes. We had better get back to our Nation, a private Nation of private enterprise, and in order for private enterprise to continue we must have profit. So we had better return to a profit system and the benefits of private enterprise system.

Thank you.

Mr. TARABINI. I am from Madera County, and specifically Chowchilla. I can tell of some of the things that have been happening there.

Seven years ago, 6 or 7 years ago, a company came in there with the name of L.D. Properties and planted about 500 acres of almond trees in Madera and Merced Counties. We found out later this is the Hershey Co.

Now, in checking this I asked the question, well, why are these people getting into almonds? Some of them are saying they were going to use them themselves, which they can buy them cheaper than they can raise them. So I couldn't hardly go along with this. Then I run into one fellow that was working with taxes and he said that basically a corporation is somewhere in the vicinity of a 70 percent

tax bracket, so if they invest the money into land they can utilize capital gains and in the end the most they pay is probably 25 percent, and a lot of time it wouldn't even amount to this.

Now, since L.D. Properties or Hershey Co. has bought the almonds we have had quite an exchange of land in our county. We have Newball Land and Cattle, which is connected with Standard Oil; we have Kaiser Steel that has come in and bought large amounts of land and they are bringing in equipment that I know of, one rig that they were pulling and ripping that cost \$164 an hour, and there is no way that I could afford this with the money that I am trying to make off of my farm. Now they are bringing outside money in here and they are just farming it at a tax loss, and you can't compete with this type of business.

Also we have had 2,300 acres of pistachios, and I found out that they broke this up in 20, 40, 80, and larger blocks, and I said, "Well, who are they selling them to?" And they said any man that is making to start with \$26,000. Now, he is the first one that gets the 20-acre block and then it goes up. So it is basically a tax dodge.

Now, one of the latest sales that has been made is John Hancock Ranches is what is called. It is a subsidiary of John Hancock Insurance. This came in and they put in elaborate sprinkler systems, planted grapes. Here again there is no way that we can compete with this type of—where they can bring in outside money into farming and us compete with them on the same level. We cannot afford to go out and invest this type of money because it doesn't return, but if they can turn over this property in a matter of years, then they can utilize capital gains on it.

Also Bud Antel, Hershey, Foremost, they are all coming into the county now, and there is one deal we haven't, we couldn't find out any names that fell through because of the tax situation. IRS read it one way and the people that were selling it read it another and the deal basically fell through.

Now, if we intend to stay in farming something has to be done to put us on an equal basis in some way.

Mr. GRIMMER. However, I might want to add, in my county, Colusa County, the first sign of the conglomerate has been Hertz Rent a Car, believe it or not. They have purchased several almond orchards. Now, what cars are doing in an almond orchard, I don't know.

And a few counties over from me we have Kaiser Industries also, and they really went wild for the walnuts. They have been buying up land and planting walnuts, and so forth. Of course they probably will have a captive supply of that.

In view of all this cancerous corporation takeover, which would certainly destroy our private enterprise system, we highly recommend and support the Family Farm Act of 1972 introduced by Senator Nelson. We feel this is definitely a necessity and a step in the right direction.

I thank you.

Senator STENENSON. Do you have an opinion on the adequacy of the State and Federal Antitrust Laws to deal with monopolistic practices in this industry? I gather from that last statement that

you are saying, no, we need some new legislation, not just the enforcement of the existing legislation.

One of the concerns that some have is that as the acquisition of land by the large corporations and by the syndicates continues, that while the immediate effect as a result of tax-loss farming may be low prices for farm products, in the end the result will be very high prices because as the acquisition of the land continues and there are fewer and fewer farmers, there is less and less competition and a greater and greater opportunity for price rigging.

Senator Taft, do you have any questions?

Senator TAFT. No.

Thank you very much, gentlemen.

Senator STEVENSON. I thank you, gentlemen.

Mr. GRIMMER. I could say one thing, Senator. There is something that unnerves me a little here. Several years ago when we were back in Washington we were talking with a doctor who was at that time on the Council of Economic Advisers, and upon asking him why the administration policy for low farm prices, he made a statement there that was rather shocking and I wonder if you would have any comment on this. He made a statement that he, the present administration, the Secretary of the U.S.D.A. as well as the past U.S.D.A. was wrong, he believed in leading the farmers to believe they were ever trying to help them when in reality their assignment was to eliminate the excess resources of agriculture.

Now, this trend as we noticed, and I would like to add one more comment on that, he went ahead deeper into it when we quizzed him on it. Of course he is no longer with us now. Upon asking Secretary of Agriculture Hardin, who was the secretary at that time, in an interview with him, I would like to mention that he, for the peoples' benefit, here he denied it first and then when I told him I was one of the fellows that was talking to him, he said, "Yes, that is right", he said he did, but he said, "You do have to admit we still have too many inefficient farmers and we have to get them down." And my friend standing next to me blared out and he said, "Like what, 500,000?" And he said, "Well, you have to realize, fellows, we have six or seven hundred thousand of them producing ninety percent of the food and fiber in the Nation today and the rest of them are just living there, anyway." So I wonder if you fellows have any comment on this?

Senator STEVENSON. Well, you know, we are not the witnesses at these hearings. We came to hear you. But, I will say that our present Secretary of Agriculture is a fellow by the name of Butz. He once was assistant Secretary of Agriculture to Mr. Benson, when he said of the small farmer, "Adapt or perish." His sympathies are judged in part by his associations. I have never been one to believe in guilt by association, but there is some, I think, incriminating evidence in this case. His sympathies are with agri-business. I don't think we should be unsympathetic to the problems of any business. But he has been a servant of agri-business, and judging from what I have heard in the course of these long hearings over many months, is that it is pretty difficult to be a servant of the farmer and of

agri-business, so I have to share some of the concerns you have expressed. Now, I wouldn't dream of being partisan any more than Senator Taft would.

But, as a matter of fact, Senator, you might like to have something to say at this point.

Senator TAFT. Well, I certainly don't want to represent Dr. Butz, as I am sure he is quite capable of speaking for himself, or Mr. Hardin, for that matter. I think these are the statements made. I don't know about the discussion that the witness said that he had with particular individuals who aren't here to comment on it. Perhaps they ought to come before the committee and comment on it in due time, Mr. Chairman, and I am sure they would be glad to do so, if invited.

As to the statement made by Dr. Butz, I certainly believe that the farmers do adapt, and that's the reason that we have a strong agriculture in America today as compared with many other nations; there was a comparison a little while ago with how South American and American farmers have adapted to new needs and new conditions. I don't think the validity or lack of validity of that statement is necessarily related to what we ought to be doing about the problems, particular competitive problems that are being brought out in these hearings, which I think are extremely important and do merit some attention, particularly to the subsidy program. I have long voted for the \$20,000 limitation. I was one of the sponsors of it on the House side, because I felt we have been paying far too much to many large producers without any justification and most of them by statistics in this State and elsewhere. I think there are only three or four farmers going to be affected in my State at all by the \$55,000 limitation, so the problems you have out here are certainly more pressing than in many other areas, although it applies to other products as well.

In keeping the family farm and in keeping people on the farm, I think is extremely important, and if there is something in our tax laws, as I was indicating in examining Congressman Sisk this morning, this is a matter for proper attention in the tax laws, and I don't feel that proper attention has been given to it in many instances, and many of our laws which try to prevent undue use of advantages of large accumulation of capital coming into businesses where competition is basically in a small capital unit makeup, which is what the situation has been in the farm area.

Mr. GRIMMER. It seems to me the people of this Nation have to make up their minds which route they want to go, if you want to go this type of a route or if you want to keep it like it was. This is just about that simple, and it is fast going the other way and it is going to continue that is for sure until we change, and, of course—

Senator TAFT. The one question Mr. Wedell brought up is one that bothers me. I don't know what the figures are on it; maybe we can get the figures before we conclude these hearings. The problem is whether these companies are making money. I have a hard time believing that many of these corporations, which are publicly-held corporations, are going to find it justifiable from an economic point of view to stay in this business very long unless they are par-

ticularly fortunate in the area in which they purchased their land and have seen the land accumulate in value very rapidly and then become available for distribution. I am inclined to agree with you as I don't see why they should be particularly more efficient except when they probe the question of using equipment of the type that has been mentioned here. I don't think the world is going to stand still insofar as new equipment is concerned, but I think there can be ways in which the small farmer can adapt and we should enable him to adopt the most efficient means of production.

Mr. TARABINI. The thing in our little community, if it continues the way it is, it is going to wipe it off the face of the map because we have 27 empty stores today that were once filled. We have no tractor dealership, where we had three at one time, and pretty soon there is not going to be any.

Senator TAFT. As far as the production is concerned, is it just as great?

Mr. TARABINI. Right. With these big landholders this money is deviated away from Chowchilla, where it normally was coming, the workers and everything. This is still there, but lending or buying from our community is a thing of the past. They go buy from the big boys and there is no way of generating this money in our economy at the local level.

Senator STEVENSON. Our time is fast running out. Thank you very much gentlemen.

Our next witness is Miss Jean Flores, a community worker in Kings County.

Is Miss Flores here?

Miss FLORES. Yes.

STATEMENT OF JEAN FLORES, COMMUNITY WORKER, KINGS COUNTY, CALIF.

Miss FLORES. The statement that I have to make is regarding Kings County. The area of Kings County is 1,395 square miles and has a population of 66,300 as per census of 1965. The area of the country is 892,000 acres, 95 percent of the land is privately owned with 506,528 acres in farms, and 342,041 acres in other lands.

The above indicators reveal that Kings County is a largely agricultural area. One of the biggest growers in the State controls Kings County. J. G. Boswell, who obtained \$4½ million in subsidies from the Federal Government, is the largest landowner in Kings County. Agricultural prosperity blossoms out for the grower-controlled county. For the farmworkers in this area it means poverty. An example of this is that 60 percent of the residents of this county are on welfare. These residents are on welfare because there is no work available, which reflects the subsidies that growers receive.

California growers are enriched and empowered not only by subsidized irrigation water, the world's largest welfare program some have claimed, the biggest growers, J. G. Boswell and Sawyer, who control Kings County, strengthen the control of our lives through political manipulation, which brings them the tax franchise subsidies of soil conservation programs, marketing order, acreage allot-

ment for crops, guaranteed prices, and so on, as has been stated over and over again today. These government programs are administered entirely by local committees of farmers, the big growers control the committees which parcel out subsidies.

The size of some of these subsidies strains the imagination. The following growers rake in subsidies, welfare in Kings County: J. G. Boswell, with \$4½ million; Sawyer, \$1,015,860; South Lake Farms, \$1,468,696; West Lake Farms, \$622,569.

Senator TART. Excuse me, could I ask the witness to identify these subsidies?

Would you identify the subsidies and where you obtained them? Are they under the control of the support program? Are these crop subsidies, cotton mostly?

Miss FLORES. Yes, sir, which is largely cotton area in Kings County, one of the reasons that no work is available.

The above is a sample of California farmer welfare recipients. A total of 84 farming operations in California received direct price support payments of over 100,000 in 1966. This story has been repeated over and over. The Government makes laws to limit subsidies and the grower finds ways to continue to collect subsidies. The process for them seems to be very simple.

Another example of the kind of power that is controlled by the big growers is the Williamson Act that has recently passed in the Kings County at the same time the food stamp program was turned down. The food stamp program in Kings County would have cost \$80,000 to be exact. Cost of commodities versus food stamp program is the same. At the same time the grower-controlled board of supervisors passed the Williamson Act, which represented a \$500,000 tax cut to the rich growers. Middle income people become the victims of rising taxes and place the blame on welfare recipients as a scapegoat. No one realizes the huge tax gifts that continually go to growers. The grower-controlled board of supervisors continue to divert public attention away from their own action and make the food stamp program and welfare a scapegoat for rising taxes. The large growers continue to manipulate Kings County.

The pity of all of this is that it took 1,500 farmworkers to camp in front of the courthouse for 21 days and nights just to force the board of supervisors to comply with the law. The board of supervisors were not in compliance with distributing commodities as per regulations. It took a court order and demonstration to bring the board into compliance.

The Social Workers Organization of the Welfare Department in Kings County supported the poor of that county. It takes no imagination to see the outcome of the poor in this county. Health problems in this county are beyond belief. The County General Hospital does not provide adequate services. There is one intern doctor available at all times for the county.

I have some news clippings that represent some of the statements that I have made.

I do want to say that I feel that as part of the testimony today that not just to bring out the problems as has been indicated here over and over again, but really to concentrate an effort is to, we

talk about generalities, but I think that you need to look directly at a county such as Kings to show the, well, the outcome of some of the problems that are, that do occur as realistically when it is controlled largely by a grower-type county.

Senator STEVENSON. Too often the statistics conceal the real truth. I think they don't show the whole story, certainly, ruined hopes, deserted homes, abandoned churches, I agree with you, and I hope we will have a chance to visit Kings County soon.

I thank you, Miss Flores. If you would like to leave your statement and the newspaper clippings, we would be glad to enter them in the record. Thank you.

Miss FLORES. Thank you.

(The information referred to as follows:)

STATEMENT BY JEAN FLORES, KEEN COUNTY LIBERATION MOVEMENT
HEALTH COMMITTEE, BAKERSFIELD, CALIF.

The area of Kings County is 1,395 square miles and has a population of 66,300 as per census of 1965. The area of the county is 892,000 acres. Ninety-five percent of the land is privately-owned, with 506,528 acres in farms and 342,041 acres in other lands. The above indicators reveal that Kings County is a large agricultural area. One of the largest growers in the State controls Kings County. J. G. Boswell, who obtained 4½ million dollars in subsidies from the Federal Government is the largest land owner in Kings County. Agricultural prosperity blossoms out for this grower-controlled county. For the farm-workers of this area it means poverty. An example of this is that 60 percent of the residents in this county are on welfare. These residents are on welfare because there is no work available, which reflects the subsidies that growers receive. California growers are enriched and empowered not only by subsidized irrigation water—the world's largest welfare program some have claimed. The biggest growers J. G. Boswell and Salyer, who control Kings County, strengthen their control of our lives through political manipulation which brings them the tax-financed subsidies of soil conservation programs marketing order, acreage allotments for crops, guaranteed prices, etc.

These government programs are administered entirely by local committees of farmers. The big growers control the committee, which parcel out subsidies.

The size of some of these subsidies strain the imagination. The following growers rake in the subsidies (welfare) in Kings County:

J. G. Boswell.....	\$4, 500, 000
Salyer.....	1, 014, 860
South Lake Farms.....	1, 468, 696
West Lake Farms.....	622, 569
Total subsidies.....	7, 606, 025

The above is a sample of California farmer welfare recipients. A total of 84 farming operations in California received direct-price support payments of over 100,000 in 1966. This story has been repeated over and over. The Government made laws to limit subsidies, and the grower found the ways to continue to collect subsidies. The process was simple for them.

Another example of the kind of power that is controlled by the big growers is the Williamson Act that was recently passed in Kings County and at the same time the food stamp program was turned down. The Food Stamp Program in Kings County would have cost \$80,000 to be exact. Cost of commodity vs. food stamp is almost identical. At the same time the grower-controlled board of Supervisors passed the Williamson Act which represented half a million dollar tax cut to the rich growers. Middle-income people become the victims of rising taxes and place the blame on the Welfare recipients. (attachment I)

No one realizes the huge tax gift that continually goes to the growers. The grower-controlled Board of Supervisors continue to divert public attention away from their action and make Food Stamp and Welfare the scapegoat for

rising taxes. The large growers continue to manipulate Kings County. (attachment II)

The pity of all this is that it took 1,500 farmworkers to camp in front of the courthouse for 21 days and nights just to force the Board of Supervisors to comply with the law. The Board of Supervisors were not in compliance with distributing commodities as per regulations. It took a court order and demonstration to bring the Board in compliance. The social workers organization of the Welfare Department in Kings County supported the poor of the county. (attached III) It takes no imagination to see the outcome for the poor in this county.

Health problems in this county are beyond belief. The County hospital does not provide adequate services.

[From the Fresno Bee, Feb. 22, 1970]

OPEN SPACE USE SHIFTS TAX BURDEN TO CITIES

(By Ron Taylor)

San Joaquin Valley landowners have cut nearly \$8 million a year from their tax bills by tucking 2.2 million acres into the California Land Conservation Act tax shelters.

But the resulting \$92 million loss in assessed valuation in the five-county tax base has created serious financial strains on government at all levels outside the cities. The result of the act is to shift some of the tax burden from agriculture to nonagricultural property.

The so-called "open space" conservation program, authorized four years ago in a bill introduced by Kern County Assemblyman John Williamson, was designed to give farmers tax protection against urban-inflated land values.

The farmer in each participating county, can put his land in an agricultural preserve by contracting with the county. The contract requires the land be used exclusively for agriculture for a decade, and in return taxes are based on land income yields.

Livestock men, faced with \$150 and \$200 an acre "recreational" market value on foothill grazing land, reduce their taxes up to 90 per cent by putting their land under the Williamson act. Using a formula that includes income—the grazing rental is only a few dollars an acre—taxes fall markedly.

From Kern County north to Madera—Merced County is not participating in the act—the foothill grazing lands were first to come in, but then prime farm land application began to increase.

Tulare County planning director Donald Wolfe and administrative director David Ogden, in a report on the effect of the act, summed it up well for all the counties:

"On Dec. 17, 1967 the board elected to enter the program, and because of the pressing time factor, expressed their belief that any ensuing problems would be resolved on an individual basis . . ."

Earlier in the report they observed, "No one was able to evaluate realistically the potential impact because of the lack of supporting data. Land use planning issues, as well as economic consequences were discussed, but little was resolved."

The result? Most counties have been in the program one or two years. Rural school districts in each of the counties suffer the most. In Wasco High School district, the total assessed value dropped \$4.9 million and the board had to raise taxes 19 cents to make up the \$63,000 tax revenue loss.

Corcoran schools, in Kings County, will lose \$200,000 in tax revenues, but District Superintendent Vernon Genesey explained existing state aid formulas will help fill in some of the loss.

County by county, here are the acreages put into the preserves, the assessed valuation losses, and tax revenue losses estimated by county officials:

Kern, 1 million acres, drop \$55 million in assessed value, losing \$5 million in tax revenues; Fresno, 416,000 acres, drop 13 million in assessed value, losing \$1 million in tax revenues; Tulare, 370,000 acres, drop \$4.7 million losing \$456,000 in tax revenues; Kings, 320,000 acres, drop 17 million, losing \$1.1 million in tax revenues, and Madera, 174,000 acres, drop \$1.9 million, losing \$114,000.

The tax loss figures are estimates and the acreages are last year's figures. County officials report applications this year to include more land are piling up at an alarming rate, and some counties—Fresno for instance—may double the acreage involved.

Estimates are that the tax revenue losses, by the end of this year, could go up another 30 to 40 percent. In Kings County, the planners and administrative officer estimate a combined \$1 tax rate increase will be needed to make up the losses suffered by schools and county government.

Gov. Ronald Reagan, in a Feb. 3 statement on his tax reform proposals, said, "We propose to mandate the availability of the use-assessment provisions of the Williamson Land Conservation Act, and to provide replacement revenue to the counties. This will help preserve the rapidly disappearing open spaces, as well as provide tax relief for agriculture."

The proposed replacement revenue would be on a sliding scale, from 50 cents to \$1.50 an acre, depending on the value of the land. Each county, and each school district facing critical losses is, in effect, promised this state aid as they qualify.

But, presuming all of Kern County's 1 million excluded acres are prime, and return \$1.50 an acre for the county and \$1.50 an acre for the schools, this would still leave a \$2 million tax revenue loss.

Sen. Walter Stern, D-Bakersfield, chairman of the state Senate tax committee, said he and Assemblyman Gordon Duffy, R-Hanford, are now working up legislation to meet the financial problems created by the Williamson Act.

Their approach, concurred in by most county officials commenting in this tax problem, is that this is a statewide problem that should be met on a state basis. They feel there is a statewide interest in preserving open lands and prime farm lands, and therefore state funds should help the counties meet the financial crisis.

Without state or federal assistance, the tax shift will have a major impact on nonfarm property. For example, Tulare County planners figured out a Visalia city resident owning a \$20,000 home will have \$64 added to his property tax.

The same type of house, in a rural area such as Traver, will get a tax hike of \$130 a year. While the city governments are little affected, the tax hike comes because school districts and rural special water or sewer or irrigation districts, suffer the most.

While the intent of the bill was to protect farm lands from urban-nonfarm market values, it is being applied widely now as a pure tax shelter for owners of farm and grazing lands. The corporate farms of the West Side—such as Giffen, Salyer, Boswell, Kern County Land and the Southern Pacific Railroad—have each put tens of thousands of acres in the preserve.

In Kings County, where some large corporate farms receive \$2 million to \$3 a year in federal subsidies, county planners say 38 per cent of the county land is already included in these tax shelter preserves.

Wolfe, an outspoken planner, says he believes the Williamson act has good intent, but that its use must be modified.

"The goals are to preserve productive land, preserve open space and shape urban growth, and these are good, but the program has run away with itself," he said.

Officials of another county severely criticized the "way the bill was written" because it allowed too much to happen too quickly. "It was like opening the barn door, at first only a few came out, then all at once the whole herd tried to escape," one said.

In Kings County, where supervisors are now being pressured by hungry farm workers to go into the food stamp program, the loss of revenue is a major factor in their deliberations. Food stamps administratively would cost \$80,000 at a time the county general fund faces a \$500,000 loss.

County Administrative Officer Frank Irwin said, "We are proposing some form of legislation that would authorize the state to, at least in part, reimburse the counties because the open space land conservation idea is in the statewide interest."

The governor's proposed 50 cent to \$1.50 an acre reimbursement for counties and a like amount for schools would cover approximately two-thirds of the tax revenue loss.

No one has indicated where this state tax money would come from, or how it would be raised. The remaining one-third of the loss to the counties would presumably have to be picked up by a hike in local taxes, or by elimination.

LETTERS TO THE EDITOR

NO SOLUTION?

Editor, The Sentinel: Your Saturday editorial on the food stamp controversy named agricultural automation as a cause and suggested that a mediation board might find a satisfactory solution.

We could go back to the horse and buggy age, but even our poverty class would hate to give up their color TV sets. We can simply provide a free-living to our economic incompetents, but people who work are getting impatient having ever larger chunks taxed out of what they produce. We can go on with technological improvements, but where are we going to get the workers with the requisite intelligence to man them? We have already put half the nation's housewives into jobs to replace the untrainables who fall by the welfare wayside. We could ask the poverty class to stop reproducing, but, as I found out previously, anyone who mentions that may find the sky falling on him.

This time, I have another equally unacceptable suggestion: There is no satisfactory solution.

D. W. TOMER

LESS EXPENSIVE?

Editor, The Sentinel: Concern must be voiced over the alarming atrophy of reasoning power among many of our supposedly educated citizens. I am referring to those persons, Mr. Johns, Mrs. Rider et al, who cannot discuss an issue such as food stamps without resorting to an emotional rhetoric that throws all logic to the winds. Indeed, they seem utterly incapable of grasping the most elementary facts concerning the issue.

These persons expound endlessly upon the plight of the middle class taxpayer who is hit by rising taxes nearly every year. Correct, the tax bite is very high and will certainly go even higher under our present political leadership. But the blame for this cannot lie with the food stamp campers. Let's get the facts straight so you will not have to make yourselves look ridiculous any more.

The truth is, people, that the food stamp program costs far less than the commodity program that the supervisors just voted for. Can you get that into your heads? Fifteen thousand dollars less to be exact. In other words, the stamp program saves tax money that is being spent right now.

Your arguments against the stamp program therefore assume an absurd quality when one realizes that what you are doing is fighting for higher costs upon yourselves. It's completely illogical, but this is indeed what our "educated" citizens are doing.

We all understand the feelings of many middle income people who feel they have been the victims of rising taxes and inflation, I submit, however, that they are not placing the blame for this where it really belongs. Why do they not look to the Board of Supervisors, who just voted a half-million dollar tax cut to the farmers under the Williamson Act. Why can they not understand that the city dweller, the small property owner, will shoulder the extra costs for this huge tax gift to one segment of the community?

Can it be that the supervisors have cleverly diverted public attention away from their own actions, and have made food stamps the scapegoat for rising taxes? When people start irrationally arguing in favor of higher costs to themselves, then I suspect that they are being manipulated. Come on people—try to open your minds and understand who is really taking you.

TOM EARL

Editor's Note: The Kings County Welfare Department has been in the process of compiling a more up-to-date financial comparison between the two programs.

DEPARTMENT OF PUBLIC WELFARE
Hanford, Calif., February 17, 1972.

Mr. J. E. YENGER,
Chairman, Kings County Board of Supervisors,
Courthouse, Hanford, Calif.

DEAR MR. YENGER: In recent weeks the level of hunger in America has received wide spread attention. President Nixon has stated that it is his policy to eliminate famine in the midst of great wealth. It is the feeling of Kings County Social Workers Organization that implementation of the Food Stamp Program in Kings County would eliminate much of the problem.

The one major problem to the adoption of the Food Stamp Program has been the increased cost to the county. It however must be understood that if the present Commodity Distribution Program is to be operated under the State Plan, the total costs Food Stamp Program (Bank Issuance) versus State Commodity Distribution Program would be nearly identical. In the case of the Food Stamp Program (County Issuance) versus State Commodity Distribution Program the costs would considerably less. It therefore must be realized that operating the Commodity Program in accordance with the State Plan will be just as costly yet fail to inject the stamp program's economic benefits into the county.

The Commodity Distribution Program deals essentially in surplus foods as means of farm price support. The only benefit to the local economy is this indirect one. The Food Stamp Program increases the purchasing power of the household to the extent of the bonus value and the entire purchasing is handled at the local retail outlets.

The Commodity Distribution Program provides no choice of foods to the participating household and the nutritional value and balance are secondary and is determined by the available commodities. Since commodities are distributed only semi-monthly without regard to eating habits or available household storage facilities they are subject to waste and spoilage.

Low income families and public assistance recipients prefer food stamps because they may be used to purchase any domestic food through normal retail outlets allowing for free choice without the stigma attached to welfare commodities. It is for these reasons that the Kings County Social Workers Organization supports the adoption of the Food Stamp Program.

STATEMENT OF LEON BURNIAN, STUDENT OF THE COMMUNITY DEVELOPMENT CLASS

Good Morning, Ladies and Gentlemen—my name is Leon Burnian, I am a student of the Community Development Class. I would like to present the other members of this class who are: Dionicio Navarro, Joe Burniss, Joe Gomez, Joe Ortiz, Antonio Navarro, Jesse Larios, Raymond Ybarra, Joe Sanchez and Richard Sandoval. Another student who is no longer with us is Albert Cane. He had to quit due to illness in his immediate family.

This program is sponsored by the Greater California Educational Project, Migrant Division, OEO.

The class has been under the training of Mrs. Jean Wilson, since December 19, 1969. At that time there were five students. In the recent month we were allotted 5 additional slots.

All of the students participating have earned more than half of last year's earnings as farm laborers. All are from low-income levels and the highest education level is 5th grade. 80% of the students are below 4th grade level and some have just learned English.

In a dream that was conceived by this class, we visioned a hope for our families. This class gave us hope for tomorrow and the strength to follow through when times have been rough. Part of this dream was this Workshop which is a part of us. As you can see we had to work long hard hours even though we were paid for 6 hours, 5 days a week. Out of 9 cars there are only 3 cars in running condition at this time. It seemed as though everything went wrong and many times we wanted to give up—but we continued because of our dream.

There are students like Dionicia Navarro and Joe Burnias who are middle age, but still are striving because of their beliefs, because of their efforts and the rest of the students; it is impossible to let them down. Programs like this should be established and should be for longer periods.

With regard to the presentation, please bear with us because we definitely need this type of communication if we are to succeed in making this a productive county.

Some of the speeches may sound like this is a confrontation, but it is not. We simply are stating facts in the hope that solutions be provided here today. We hope you understand us and that after this is over that we will be getting and keeping people together as stated in our theme.

We know that we lack education, but ours has been the school of life. Our lessons were hard ones, we have limited time, we had to learn through our mistakes.

We will not give up, all we ask is for an opportunity.

EMPLOYMENT

It is very hard for the low income to get jobs in Kings County. Why- Because there is not enough industry or manufacturing outlets in Kings County and machines have taken over the farm labor. There are only 12 manufacturing plants in Kings County that employ 1,285 people in the Hanford area. The Lemoore Naval Air Station employ 8,650. The other non-manufacturing companies employ 190 people. Most of these jobs poor people do not qualify because of lack of education.

Yet there are 112 acres in the city limits zoned for light/heavy industry. With this in mind, we the poor want industry with training programs so that we can work.

We can enter training programs from now until the end of the world under Department of Labor, Welfare Department, or public schools. What we are asking is for a sincere effort from the county agencies to work with State, Federal and elected Representatives such as Congressman Talcott, Senator Cranston, Senator Murphy, and State Senator Stiern to bring more industrial development to this County.

Only by these efforts can we lift ourselves from where many of us are at. I believe this can be done to believe otherwise is false.

To believe that industry does not want to come into this county will continue to stereotype the image of the low-income poor as parasites of our country. We have been called dumb and lazy— Well I guess we are if we believe this!

Thank You.

RURAL HOUSING

Rural housing is beyond belief in this, the 20th century. The rural poor live in cold, drafty, rundown shacks, that are swarming with cockroaches full of flies and steaming hot in the summer.

Migrant farm workers don't know what it is like, to have inside toilets, running water, hot or cold. They don't have heat in their houses. Bathtubs are the exception rather than the rule. Covering the rural areas of Armona, Santa Rosa Rancheria, Avenal, Lemoore, Stratford, Kettleman City, and Corcoran, there are high percentages of broken down houses that are unsafe and beyond repair.

Rural families who rent are twice as likely to occupy sub-standard housing as families who own their homes.

The families in the rural areas just cannot afford decent housing. Some animals live in better shelters than most of these families.

Title V of the Housing Act of 1949, makes and insures rural housing loans. Loans of up to \$1,500 may be made to homeowners who cannot afford all repairs needed to make their home safe, but can afford to make enough repairs so that the house does not endanger their health and safety.

Provisions for senior citizens over 62 years of age are made by Farmers Home Administration. Rural housing loans are made only to the applicants who are unable to obtain credit from private lenders.

According to Bob Marshall from Self-Help Enterprises, in a recent article in the Fresno Bee, he indicated that decent housing is being built, but at a rate that would take 30 to 40 years for the rural poor to have decent housing in Kings County.

Farmers Home Administration is not reaching the majority of the people because the Federal Government does not give enough funds to make this possible.

URBAN HOUSING

Our present urban housing programs simply have not met the housing needs in Lemoore, Stratford, and Hanford. The families who are in the greatest need do not qualify for loans and grants under existing legislation.

The Department of Housing and Urban Development known as HUD administers housing programs for both Urban and Rural low-income families. Under HUD community renewal programs in communities less than 5,500 population may obtain funds for comprehensive planning for water and sewer development.

The Public Low Rent Program in Kings County is operated under the name of the Housing Authority of Kings County. The County Board of Supervisors appoints a commission consisting of five civic leaders who govern the Housing Authority. They in turn appoint a director to oversee the operation of the Corporation. The cost of operation is paid by the rent collected.

The Public Low Rent Program in Kings County consists of 150 units in Hanford and 100 units in the rural community of Corcoran. Again this is a total of 265 units. But the 1966 Self-Help Enterprises reported a percentage of 35 to 40% substandard dwellings.

The relatively new programs in Hanford, Corcoran, and Armona with a total of 265 cannot begin to fill the gap.

Even though the Supreme Court upheld the Civil Rights Act of 1966, which grants to all citizens the same rights to real and personal property available to White Americans, still the practice of these different housing projects is de facto segregation as the location tends to follow the ethnic trends of the established community.

EDUCATION

As you all must realize, education is one of the main problems of minority and poor people. The dominant idea that education is a privilege, not a right is keenly felt by all low-income people. Knowing other privileges or rights are sometimes denied, the education issue is a topic of great importance. Society says that the door to self-improvement is education, yet at the same time, it closes the door of improvement. Statistics bear this out when one observes that the average years of schooling for Indians is 5 years, Mexican-American, 8 years, and Afro-Americans, 10 years. All this is especially disheartening when today's high school diploma is decreasing in value. When a minority high school graduate does get a diploma it is often felt to be inferior from the one a student gets from the high school on the other side of town. Segregation and inequality is a very real factor.

The track system in the public schools gives further evidence of suspicion on the part of poor people. A child that takes an IQ test that determines if he will be on the A, B, or C group knows nothing of the reasons or results his score has on his future. What educators don't realize, after all this time, is that the IQ tests are geared to the middle income White child and leaves the minority poor child at a further disadvantage. Add to this the language problem of Mexican American children. How many Anglos know of *la llorona* especially if they have to write their answers in Spanish. Add also the attitude one has when what he does learn at home is many times considered wrong by educators. Was Villa a bandit or a champion of the people?

A case that makes this intolerable situation more noticeable is the recent ruling concerning the 50,000 Mexican-American children, who by action of the CRLA, were found to be not retarded even though they were in retarded classes. Bringing the situation closer to home, why does Corcoran have 130 retarded children out of 2,000 students and Hanford 100 out of 4,000? Could it be that a higher percentage of the students in Corcoran are of Mexican decent and don't understand the tests they are given for the above reasons?

We ask ourselves a lot of these questions and can't help but think a lot of these educational problems are not only ours but yours. For a lot of us, it is too late and we don't have the opportunity to go back and get a lot more education. Must our children again suffer the same fate? A lot depends on you.

AFFIDAVIT OF JESSE BOYAR

My name is Jesse Boyar, I reside at 3524 Virginia Avenue, Bakersfield, California. I have lived in Kern County for eight years. I arrived as a migrant worker in Arvin, California in January 1964 from Indio, California, where I worked packing dates. I have done farm labor as a seasonal and migrant farmworker in Michigan, Illinois, Colorado, Arizona, New Mexico, and California. At the present time I am employed as a Community Representative with "Clinica de los Campesinos" located in Lamont. This Migrant Health Clinic is under Health Education and Welfare Department. I have personally experienced the hard back breaking work of bending all day thinning beets with the short-hoe at an early age when other children were in the classroom. I was struggling with a 200 pound sack of cotton trying to pull it up a ladder to dump it on a cotton trailer. I have felt the sharp blades of the corn while husking corn with two mules pulling a trailer which we had to fill by early afternoon. The blades would really cut you up when the corn stalks dried with the hot sun. To do this type of work, we had to arise about 3:30 in the morning awoken by a fire alarm bell that startled us out of bed each morning. All in all I have experienced many hardships doing different type of farmwork under freezing cold and sweltering hot conditions when it was sometimes difficult to breath. The latest time I did farmwork it became very difficult for me to work because my eyes watered and my nose was running constantly because of same kind of pesticide that was sprayed on the plum orchard where I worked in Weedpatch, California. The county in which I reside is ranked third among the counties in the United States in gross value include cotton, potatoes, fruits, nuts, and field crops in addition to beef cattle, sheep and poultry. Agricultural production amounted to 301,712,000 in 1968. Agriculture is the main stay of the economy.

Kern's latest population figure shows that there are 350,000 people living in the county. It is a combination urban/rural county with a core urban area centered around Bakersfield. The population is fairly evenly divided between urban and rural areas.

Recent newspapers articles in the "Bakersfield Californian" have cast a large cloud of scandal covering the entire county with much talk and controversy concerning the receiving of what I call "Giant Welfare handouts to the grower for not growing cotton or other products on their lands." On June 19, 1967, Senator John Williams of Delaware inserted in the Congressional record, a list of direct price support payments received by big farmers through the United States. Kern Land Company received \$652,057 and Tejon Ranch \$121,000.

Several growers are under investigation for claiming allotments on land which does not produce or they have formed land which should not have been farmed because of government subsidy regulations. This in contrast with the alarming poverty conditions especially the plight of the Migrant and Seasonal Farmworker with a continued crisis of recurring cases of sickness, pesticides poisoning, unequal employment—a conspicuous neglect of their problems by the community at large.

In 1966 there were estimated 17,367 families in Kern County whose income and family size place them below the Social Security Administration Poverty Guidelines. This represents 18% of the total number of families in the county (a percentage roughly equal to the State of California's percentage of poor families which stood at 18.2%). The national percentage was 15.1% poor families in 1966. The 17,367 poor families in Kern County place Kern County higher than 98% of the counties in the United States in number of poor families (over 14 times more poor families than the average county in the nation). Farmworker population at its highest peak is said to be 30,373. One can see that this is an incorrect figure. I have never been counted and many other farmworkers have not been counted and I have never seen a real effort to take a close accurate count.

The price society has made him pay for his identity as farmworker is very heavy. A life of a wanderer with poor health, a status of a non-person in the community, an existence of frustration and futility ending in tragic early death for many. The spectrum of problems are too many to mention here. Some are revealed here and have been given priority to be placed in a combat rural zone to cure some of the ills that bound the campesinos. Farmworkers have always had a difficult time in identifying themselves as people in need with the Wel-

fare Department. Rules and Regulations keep them thinking that Welfare is there to keep them out rather than to help them especially during the hard winter months when work slacks off in the fields.

On October 1st, 1971 regulation 14-440 verification of employment went into effect. The farmworker certainly was not taken into consideration when this regulation was written. It is difficult for the farmworker to come up with forms indicating amount earned by different contractors when for one-migrants have to provide their own transportation to go and find certain contractor in another county to verify employment. It becomes absurd and ridiculous if he has to go out of state to get forms of certification of employment. It has been noted that there are too many forms already which have to be filled out. These forms are called 1043. Besides you have one that has to be filled by rural manpower, a non-win form, a Human Resources Development Unemployment Insurance form and now a verification employment form which turns all their filing of forms request by the Department of Welfare into a riot of paper work which is repetitive and sometimes or I should say many times incomprehensible and without logical reason or purpose except to harass and make it more difficult by exhausting the farmworker applicant and making it unhumanly impossible to produce all proof that is required.

I have recently experienced the knowledge of 18 different applicants for A.F.D.C.-U. benefits since October 26, 1971 only one of those applicants received any aid then only on December 15, 1971, because of a receipt of an eviction notice.

The harshness of this new regulation 41-440 places the migrant and seasonal worker at a very desperate and difficult disadvantage. This serious problem needs immediate attention.

The Spanish-speaking non-english communicative handicapped suffers from a triple handicap, he sometimes cannot adopt the american way of life or he may have a physical handicap plus a language difficulty which keeps him bogged down. Rehabilitation for the spanish speaking handicap is the last resort provided by our democratic system; yet when he reaches the door of the state department of rehabilitation he is told if you don't speak english, we can't help you.

IN 1967.—Congress amended the vocational rehabilitation act to increase the amount of federal money available for vocational rehabilitation, establish a national center for deaf-blind clients and authorized a new special project fund to extend services to the migrant farm laborers.

IN 1968.—Congress amended the vocational rehabilitation act to increase the federal share of the cost of the state rehabilitation program from 75% to 80%, to provide vocational evaluation and work adjustment programs for all vocationally handicapped individuals who are disadvantaged.

In September of 1971 a proposal was submitted to the cooperative area manpower planning system C.A.M.P.S. which would help alleviate the spanish speaking handicap problem in Kern County. I was advisor to the farmworker handicap group.

Again the powerlessness of this particular community has kept their programs and proposals hidden and kept from implementation even when special congressional amendments have been made to serve these people.

The patience frustration and waiting has long been exhausted and a feeling of indifference has settled in the farmworker community. In other words, their faith that their problem can be heeded by state or government has nearly vanished.

Unemployment insurance for the farmworker would solve a lot of problems and would help diminish the welfare rolls. It's recent veto only displays again that the campesino has not reached that stage where his contribution as a working man is recognized. The state would rather have him in welfare where he is constantly screened and rescreened and pushed around like a non-person.

It has taken many years for the unemployment insurance bill for farmworkers to reach the legislature only to be thrown out. These type of actions conceal the fact that we may be very advanced in Technology and computers, but we are very far behind in human understanding of people. The campesino needs unemployment insurance and not a welfare work plan.

Senator STEVENSON. Our final witness is Mrs. Marilyn Stout.

**STATEMENT OF MARILYN STOUT, JOURNALIST, LOS ANGELES,
CALIF.**

Mrs. STOUT. I asked to come up from Los Angeles to speak to you today because I wanted to tell you that it is a myth, really, that the large farm is more efficient than the small farm. I have a batch of documents for you. These are the documents I have read to do this research. I am a journalist and a graduate of the University of Michigan.

First, I want to call your attention to article 17 in the California constitution. Article 17 prohibits large land ownerships. There have been two attempts to delete it from the California constitution which the voters defeated. Now another attempt is being made to eliminate it from the California constitution.

In the process of researching the question, I found California agriculture gets the following subsidies:

First, increased land value when water hits desert land.

Second, subsidized irrigation water. In some places in this State farmers pay \$19 an acre-foot to the State department of water resources, while we in Los Angeles pay \$125 an acre-foot. (Authority Skip Deering M.W.D.)

Third: imported foreign labor or migratory labor. One of my friends did some investigation in U.N. documents and said that around the world large landholders profit not only from land and crops, but from the labor they subjugate.

Fourth, property tax relief.

Fifth, crop subsidy, as you know.

Sixth, as you heard before, income tax writeoffs.

Seventh, offshore oil revenues. Offshore oil revenues should have been devoted to education in the whole Nation.

Eighth, others. The Los Angeles City Council annexed the Pennsylvania Railroad's Porter Ranch. In the process the Penn-Central's "master plan" called for more than \$29 million in subsidy from the city of Los Angeles. (See article enclosed.) In summary, the large corporate landholding, because it demands all these subsidies, is not more efficient than the family farm.

Worse—what seems to be happening, is the re-establishment of the feudal pattern—the company-owned town; the company-owned agricultural firm. If we think food prices are high now, and food distribution is bad, what will happen when food production goes under monopoly control?

This map should be shown next. You have seen one like it. The green line represents the California aqueduct. The red area is property owned by Kern County Land (now Tenneco). The blue area is owned by the Los Angeles Times Mirror Co. It is 168,000 acres. The Los Angeles Times Mirror Co. would be asking for a thousand times more water than would be allowed under Reclamation Law. (Walker's Manual of Western Corporations and Securities indicates the Tejon Ranch is now 300,000 acres.) I have some documents for you to put in the record. They are photocopies of the Los Angeles Times. I will read the headlines to you, and submit the stories for the hearing record: "TWO MILLION ACRES TO BE SOLD IN RIVERSIDE

COUNTY." (The 2 million acres is Federal land. We should keep it that way—in desert national park.)

Here is a story dated October 30, 1960. It was printed just before the California aqueduct bond election on November 8, 1960. The Los Angeles Times was asking its million subscribers to vote yes on the water project. The headline: "MANY FACTORS HELP CONFUSE VOTERS IN THE WATER BOND FIGHT." "Help confuse" a Freudian slip, no doubt. The Chandlers never once mentioned in their newspaper how much land they owned or how it would increase in value. Not until the Nader report recently, did they ever admit publically that they owned land. An editorial said, "we do own land, but it is only incidental."

Another story that I brought for you on land development is a photocopy. It is a story of the Irvine Ranch development. This story "Irvine Ranch" was published 5 days after the water bonds were authorized by voters. It tells what is happening in agriculture—what is happening on 90,000 acres of the Irvine Ranch and other ranches like this. We are accidentally building company-owned towns, company-owned agricultural firms, and possibly company-owned branches of the University of California. Regents represent big oil, big railroads, big land. They are appointed by the Governor for 16-year terms. The regents have taken away from university faculty and administrators all tenure and promotion decisions. I fear they may even try to fire professors with whom they disagree.

RECOMMENDATIONS—STRATEGY FOR CHANGE

My first recommendation: I agree with Senator Fulbright and Senator Taft. Large corporations should be stripped of all subsidies. Stripping these corporations of all subsidy would be as effective in breaking up these large land holdings as some other measures which I also recommend as policy.

Second, the 160-acre limitation should be enforced. Excess lands should be bought and reclassified. Some classified as agricultural land should be made available to smaller farmers. Some land should be green belts. Perhaps some land should become small towns. Much land in California should be classified as waterless land, and should be retained as desert national park. The land that I mentioned previously, the 2 million acres in Riverside county, is an example of this. A more valuable resource than desert land is water itself. Why should we pour a valuable resource like water on desert land where it will just evaporate? Perhaps we should have a national policy of water reclamation instead of a policy of land reclamation.

My third recommendation: The benefit cost analysis should be stringently applied in all areas of Government—especially water resource development and reclamation. We are discovering that good economics and good ecology go together. We refer to this as ecosystems. In southern California we have surplus water. We have brought four rivers through four aqueducts to Los Angeles: 1. The Colorado River through the Colorado River aqueduct controlled by the MWD; 2. Two Owens River aqueducts carry Owens River Water to Los Angeles. The Los Angeles Department of Water and Power owns these two aqueducts. The San Joaquin and the Sacramento

Rivers are brought from their confluence at the Delta through the California aqueduct. Northerners give up their water. Los Angeles gives up its money. The beneficiaries of the aqueducts are lands between the source of water and the city of Los Angeles. Southern California doesn't need all that water. Southern California did not want it. Just recently some directors of the metropolitan water district tried to renegotiate our contract so we could have less water and pay less money. The State department of water resources said, "No, you have to take all that water and we want you to pay all that money." (see the provisions page 9/1 Metropolitan Water District Contract with the State of California.)

The horrible thing that happens in water resource development in California is that water is in surplus. Now what happens when you have a surplus of peaches or apples? The price goes down. Real estate developers have played-off the bureau of reclamation against the State department of water resources; the Los Angeles department of water and power against the metropolitan water district to see who would sell water the cheapest! (The taxpayers and small homeowners bearing the difference of course.)

Government and public agencies should cooperate in laying claim to all unappropriated water and sell it to the highest bidders. This is a suggestion in the excellent book "Water Supply Economics, Technology and Policy" written by local but internationally famous Hirshleifer, DeHaven and Milliman. Dr. Jerome Milliman is head of the department of urban affairs, University of Southern California. Dr. Jack Hirshleifer is a professor of economics at UCLA. James DeHaven is a physical chemist at the Rand Corporation. Their stringent cost-benefit analyses suggest solutions to many of our problems. I submit for your record a report on their book which was published in California Homeowner Magazine.

(The information referred to follows:)

EXHIBIT I.—RETAIN ARTICLE XVII IN THE CALIFORNIA CONSTITUTION

VOTE "NO" ON PROPOSITION I

The California Constitution Revision Commission and the California Legislature have voted to delete Article XVII from the California Constitution on the grounds that it is obsolete. Article XVII is far from obsolete and its elimination would be a serious mistake.

The accompanying material contains some facts and figures relating to land ownership in California. From this material it is evident that:

1. Corporate land holders already dominate the political economy and public affairs.

2. Their concentration of land holdings is increasing.

3. Large land owners profit from a variety of politically unjustified subsidies from local, state, and national governments including income tax write-offs, crop subsidies, property tax relief, migratory labor, increased land value, below-cost irrigation water.

Under the circumstances, we should not legalize large land holdings by deletion of Article XVII. Instead, we should act to bring land ownership practices into conformity with the Constitution. Reforms are being suggested, so why not just uphold the Constitution as it is written?

AN EXCERPT FROM THE CALIFORNIA CONSTITUTION—ARTICLE XVII

LAND AND HOMESTEAD EXEMPTION

Homesteads to Be Protected:

Sec. 1. The Legislature shall protect, by law, from forced sale a certain portion of the homestead and other property of all heads of families.

Holding of Unimproved Lands Against the Public Interest:

Sec. 2. The holding of large tracts of land, uncultivated and unimproved, is against the public interest, and should be discouraged by all means not inconsistent with the rights of private property.

State Lands Granted Only to Actual Settlers:

Sec. 3. Lands belonging to this State, which are suitable for cultivation, shall be granted only to actual settlers, and in quantities not exceeding three hundred and twenty acres to each settler, under conditions as shall be prescribed by law.

The following corporations have large land holdings in California:

	Acres
Kern County Land Co. owns (Tenneco).....	348, 026
Standard Oil Co. owns.....	217, 045
Other oil companies.....	255, 328
Southern Pacific R.R. & Land Co.....	193, 859
Los Angeles Times-Mirror's Tejon Ranch Co.....	168, 531
Irvine Ranch.....	90, 000
New York Central-Pennsylvania R.R.-Macco realty.....	100, 000

¹ Approximate.

Source: Congressional Record, p. 6886, May 7, 1959; Los Angeles Times real estate section Nov. 13, 1960.

LARGE LAND HOLDERS PROFIT FROM A VARIETY OF UNJUSTIFIED SUBSIDIES INCLUDING

1. *Increased land value.*—the result of bringing water. A disproportionate share of capital costs, however, are paid by the public. The San Luis Reservoir is being paid by federal taxpayers, 76% of the "Feather River" adequate is being paid from property taxes in the Metropolitan Water District. The benefits are not distributed equally however. If Kern County Land, and Tejon Ranch could eliminate acreage limitations, their land would increase in value one-half billion dollars for Kern Co. Land and one-quarter billion dollars for Tejon Ranch—the *Los Angeles Times*. (p. 6889 *Congressional Record* 1959)

2. *Subsidized Irrigation Water.*—again the burden is shifted to the small land owner: "In arid regions, irrigation agriculture pays typically very low prices for water and uses huge quantities. In California as a whole, 90% of the water is used for irrigation. The Imperial valley irrigator, for example, pays \$2 per acre-foot for water while Los Angeles and other cities in a nearby region are paying \$25 per acre-foot wholesale to the Metropolitan Water District. For the urban user, distribution costs raise the price to about \$50 per acre-foot, and these cities face very much higher costs for future increments of supply."

(Hirshleifer, DeHaven, Millman *Water Supply Economics, Technology and Policy* University of Chicago Press.

3. *Imported foreign labor, or migratory labor.*—Large land holders try to get imported labor or migratory labor at prices less than they would have to pay unionized Americans. United Nations Commissions have indicated that around the world, large land holders profit not only from land, and crops, but from the labor they subjugate.

4. *Property Tax Relief.*—Because of proposition 3, passed November 1966 the state legislature could grant property tax relief for producers of foods and fibers "to preserve open space." Did voters know that a mere 3% of farmers control almost two-thirds of the state's farm lands when they voted for that? Did they know that of the 99,000 farms in the state, 6% of them hold 75% of the total land in farms?

(pps. 19,20 *California State Development Plan Program* published in 1965 by the Department of Finance)

5. *Crop Subsidies.*—"Unpublished studies show that of 3.6 million farms, some 100,000 receive 1/3 of the benefits of price support programs. If the government spends \$3 billion yearly on price supports, about \$1 billion goes to a

handful of big farmers. In the cotton program for example, \$36 million was split among 322 big farmers for an average payment of \$111,000 each. The remaining \$40 million was split among 650,000 smaller farmers for an average of \$62 each. These huge subsidies now being channeled to larger than family farming interests push up the cost of government programs, incur the public's anger, and enable the huge factory farm interests to further intensify their competitive position against the family farmer."

(Keynote address by Howard Bertsch, Administrator, Farmers Home Administration, Washington, D.C. Fresno State College Fresno, California May 23, 1964.)

6. *Income Tax Write-offs*.—have a greater influence on the direction land purchases are taking than any payments made by the government. The wealthy, both individuals and corporations, seem to find agriculture an attractive industry in which to lose money to offset profits made in other operations. As an illustration of how much of this type of thing goes on, our economists made some studies of Internal Revenue Service figures on the tax returns of 'farmers'. They found that the approximately 10,000 'farm proprietor' returns with adjusted gross incomes in excess of \$50,000 showed aggregate losses from farm business that exceeded aggregate profit by more than 2 to 1. For the 188 farm returns with \$500,000 or more in adjusted gross income, farm losses exceeded net profit by about 100 to 1." (Secretary of Agriculture, Orville Freeman, in a letter to Mrs. T. M. Stout July 22, 1964)

7. *Off Shore Oil Revenues*.—The 1968 Legislature devoted \$64,000,000 of offshore oil revenues to California's uneconomic water projects. These funds were originally promised to education.

8. Others.

SOIL BANK AND ACREAGE DIVERSION PAYMENTS TO GREAT CORPORATIONS, SAN JOAQUIN VALLEY, CALIF.

Company	Acreage	1965 subsidy
Kern County Land Co.	248,026	\$452,057
Los Angeles Times Tejon Ranch	168,531	121,096
Anderson-Clayton	52,000	622,840
Boston Ranch (Boswell)	37,555	506,061
Russell Giffen	33,000	2,397,073
J. G. Boswell	32,364	2,807,633
South Lake Farms	30,478	1,468,696
Di Giorgio (Delano strike area)	26,000	56,100
Everett Salyer	25,220	1,014,880
Miller and Lux	25,313	299,051
Giumarra (Delano strike area)	12,459	246,682
Bianco (Delano strike area)	6,795	
Divizich (Delano strike area)	5,500	
Steele (Delano strike area)	4,187	
Schenley (Delano strike area)	3,700	
Pandel (Delano strike area)	2,288	
Perelli-Minetti (Delano strike area)	2,280	

Source: Congressional Record, June 1967.

6.0% of California's farms own 75% of the land (1959 census).

5.2% of California's farms pay 60.2% of the farm labor (1959 cen).

June 19, 1967 Statement by Sen. John Williams of Delaware: "Based upon these large payments it is obvious that the small family-type farmer is not the real beneficiary of our present farm program; but rather the Government through these large payments is in reality subsidizing an expansion of the corporate type farming operation."

The Citizen's Board of Inquiry into Hunger and Malnutrition in the U.S.A., a group which includes major Protestant representation came to the following conclusions about governmental support programs: "Judged by the allocation of payments to farmers in 1967, this purpose (to encourage, promote, and strengthen the family farm) has not been achieved. Some 42.7% of farmers—the classically small farmers—with gross income of less than \$2500 received 4.5% of the total farm payments, while top 10% farmers with \$20,000 gross received 54.5% of payments.

QUOTATIONS FROM THE U.S. SUPREME COURT, CONGRESS, AND IMPORTANT MEN,
SHOWING HOW LONG AMERICANS HAVE ABHORRED LAND MONOPOLY

U.S. SUPREME COURT—(ARIZONA V. CALIFORNIA 1963, AND IVANHOE V. MCCracken 1958)

"... the claim of discrimination in the 160-acre limitation we believe ... overlooks the purpose for which the project was designed. The project was designed to benefit people not land. It is a reasonable classification to limit the amount of project water available to each individual in order that benefits may be distributed in accordance with the greatest good to the greatest number of individuals. The limitation insures that this enormous expenditure will not go in disproportionate share to a few individuals with large land holdings. Moreover, it prevents the use of the federal reclamation service for speculative purposes."

BOTH HOUSES OF CONGRESS—UPHELD THE 160-ACRE LIMITATION IN 1959 AND 1960,
THE FOLLOWING IS FROM A SPEECH BY SENATOR WAYNE MORSE

"We talk about political democracy, but we cannot have it without economic democracy. We cannot have political freedom of choice for the individual without economic freedom of choice for the individual. Therefore if I were to name one thing that guarantees the perpetuity of our democratic form of government, what I would name would be private home ownership in the city and family farm ownership in the country."

THEODORE ROOSEVELT—1911

"Now I have struck the crux of my appeal (for laws against land monopoly) I wish to save the very wealthy men of this country and their advocates and upholders from the ruin that they would bring upon themselves if they were permitted to have their way. It is because I am against revolution; it is because I am against the doctrines of the Extremists, of the Socialists; it is because I wish to see this country of ours continued as a genuine democracy; it is because I distrust violence and disbelieve in it; it is because I wish to secure this country against ever seeing a time when the 'have-nots' shall rise against the 'haves'; it is because I wish to secure for our children and our grand children and for their children's children the same freedom of opportunity, the same peace and order and justice that we have had in the past."

THOMAS JEFFERSON—(FROM WORLD BOOK ENCYCLOPEDIA FIELD ENTERPRISES 1953)

Jefferson fought holding of large properties in the hands of the few. "To annul this privilege", wrote Jefferson, "and instead of an aristocracy of wealth to make an opening for the aristocracy of virtue and talent which Nature has wisely provided for the direction of society is deemed essential to a wellordered republic."

"... the mass of mankind has not been born with saddles on their backs, nor a favored few bootied and spurred, ready to ride them legitimately by the Grace of God. These are grounds of hope for others. For ourselves, let the annual return of this day forever refresh our recollections of these rights, and an undiminished devotion to them." (4th of July letter)

[From the *California Homeowner*]

THE GREAT WATER STEAL

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Exhibit II

**Another 29 Million
Taxpayers Dollars Given Away**

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16 *California Homeowner Magazine*

4. School prices above do not include

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March 1967

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NATIONAL FARM WORKER MINISTRY
(CONTINUING THE NATIONAL MIGRANT MINISTRY)



Related to the National Council of the Churches of Christ in the USA

TO: ACTION MAILING LIST (February 2, 1978)

FROM: Chris Hartmire

NAN FREEMAN: On Tuesday, January 25, 1972, Nan Freeman an 18 year-old college student was killed on a UFWOC picket line near Belle Glade, Florida. Nan's family is orthodox Jewish. They live in Wakefield, Mass. She is the first person ever to be killed on a UFWOC picket line. Memorial services have been held in every UFWOC boycott city and field office. The Massachusetts Board of Rabbis is considering a living memorial in Nan's name. In his eulogy Cesar Chavez said of Nan: "...To some she is a young girl who lost her life in a tragic accident. To us she is a sister who picketed with farm workers in the middle of the night because of her love for justice." Additional information is available from the NFWM office.

CURRENT BOYCOTT: Farm workers have been organizing in the Napa Valley (California) since 1966. Contracts have been won with Christian Bros., Beaulieu & Inglenook. Other Napa growers have resisted and have now called in the Farm Bureau to coordinate their campaign against the farm workers union. UFWOC is currently engaged in a nationwide boycott of 9 NAPA VALLEY WINE GRAPE GROWERS: Chas. Krug, Robert Mondavi, Beringer Bros. (owned by Nestle's), Sebastiani, Weibel, Inc., Wente Bros., Louis Martini, F. Korbel & Sons, Kormell. Please avoid these wines until an agreement is reached. If you have received a letter from Nestle (Beringer), Dave Hernandez has written a reply which is available from the NFWM office.

LETTUCE The lettuce talks have failed (see CWM Newsletter, Dec. 1971). UFWOC is preparing for a full scale boycott of non-union lettuce. We will let you know when the lettuce boycott actually begins.

ASSASSINATION PLOT: In late July 1971, the Alcohol, Tobacco & Firearms Division (ATF) of the U.S. Treasury Dept. warned UFWOC about an assassination plot against Cesar Chavez. They provided names and pictures of people known to be involved. There were apparently 2 contracts: \$25,000 to kill Cesar and \$5,000 to burn certain UFWOC files. Subsequently, the "hit man" was arrested on an unrelated murder charge and a middle man was arrested on a narcotics charge. At that point ATF dropped the investigation. UFWOC has raised \$20,000 (\$10,000 from UAW) and is offering a reward for information leading to the arrest and conviction of those responsible for the plot (i.e., the people who put up the money). UFWOC has also called for a congressional investigation and an explanation from Treasury Secretary John Connally as to why federal agents dropped the case. You can help by writing Senator Birch Bayh (with copies to Edward Kennedy and your own Senators) asking for a congressional investigation of the Treasury Dept's. handling of the case.

LEGISLATION: The enclosed materials are to help interpret the boycott and to prepare for some important legislative battles ahead. FARM WORKERS NEED YOUR CONTINUED UNDERSTANDING AND HELP.

ENCLOSURES: 1) On Legislation... 2) On Boycott... 3) on Elections

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page two

What is the UFWOC position on legislation? On April 16, 1969 Dolores Huerta appeared before the Senate Subcommittee on Migratory Labor and read Cesar Chavez' prepared statement on collective bargaining legislation. UFWOC's position favors extension of the National Labor Relations Act (NLRA) to farm workers but without the crippling Taft-Hartley and Landrum Griffin amendments (see attached historical sheet). UFWOC favors the same kind of protections that industrial workers had when they were first protected by the Wagner Act in 1935. Friends of the farm workers argue that it is impossible to get the original Wagner Act for farm workers. They point out that growers and chain stores are organized in every state. The farm workers are organized in only a few places. Only 10% of America's farm workers are covered by union contracts. It seems inevitable that a strong UFWOC collective bargaining bill introduced in Washington, D.C. would be amended and watered down and farm workers would be stuck with legislation that provides for elections but robs them of the power to gain good contracts. So the farm workers have chosen to keep struggling without legislation. They prefer to make gains slowly and surely and to build a democratic union that may some day have the strength to gain good Federal collective bargaining legislation. In the meantime they are forced to oppose all the repressive legislation that will keep appearing in state after state. Some general comments on the legislative scene.

- 1) Legislation has limits - it may not always provide solutions for the problems of the poor. Cesar Chavez and the farm workers are saying to us: we are not interested in a legislative solution that has the appearance of justice. We want what we have always wanted: enough organizational strength to take care of our own needs and to meet our employers as equals. Legislation can either help or hinder the development of that organizational strength. The growers are promoting legislation that is designed to hinder it.
- 2) Cesar Chavez and the farm workers with him have accepted responsibility for organizing farm workers; they are willing to do the work and make the sacrifices that will build a strong, national farm workers union. They have to be the judges of what is useful and what is not useful in the way of legislation. If we believe in self-determination for farm workers we dare not second guess them on what is good for their movement. (Unfortunately there are too many legislators - Democratic and Republican alike - who are perfectly willing to operate as if they know better than farm workers do what is good for the farm workers union).
- 3) If our representatives pass legislation that has the appearance of justice but denies farm workers the tools they need for building a strong union then there will be no peace in the fields. The aspirations and the frustrations of the poor will become visible one way or another.

YOU CAN HELP the farm workers cause by staying alert to the legislative scene and by helping farm workers defeat repressive state legislation. You can also help by interpreting the significance of the boycott and by doing everything you can to make the boycott stronger. (The NFWM office has a paper entitled "The Farm Workers Boycott is Moral and Legal" and another paper describing the history of union representation elections in agriculture)

Rev. Wayne C. Hartmire, Jr., Director
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UNDERSTANDING THE FARM WORKERS' POSITION ON LEGISLATION
(with an attached historical sheet)

For 37 years Farm Workers have been excluded from the protections of federal collective bargaining legislation. For that reason Delano grape growers in 1965 could ignore the demands of their organized workers for union representation elections and negotiations. Farm workers said: "We are organized, we are willing to prove it with an election, we have suffered long enough, we want to meet with you as equals to discuss our grievances." Growers in effect said: "You don't exist; the law does not require that I meet with you; if you don't like it here then leave and I will find workers who are poor enough and hungry enough to do what I want without complaining." The workers went on strike. The growers fought back with strike breakers and the long struggle began in California's grape fields.

In the course of that struggle farm workers discovered a way to make progress. The growers did find strike breakers (many of them illegal workers from Mexico) and they were willing to absorb the losses of the strike. So farm workers went out on the boycott. They left the fields and went to strange cities across the country. Marcos Munoz went to Boston; Eliseo Medina went to Chicago; Jose Serda to Los Angeles; Andy Imutan to Baltimore; Dolores Huerta to New York City, etc., etc. Some left their families behind. Others took their families with them. They lived on next to nothing (room and board and \$5.00 per week). They worked hard, they sacrificed and they laid their cause before the consciences of the American people. And they won! They won in wine grapes and in table grapes. And farm workers all over the country began to stir from decades of poverty and misery.

Now, after farm workers have found a way to struggle and win through the strike and boycott, the Farm Bureau and other agribusiness interests have developed a keen interest in legislation. For 37 years they have opposed all protective legislation and denied all bargaining rights to their workers; now they say they want farm labor legislation. The Farm Bureau talks about "secret ballot elections" and "the rights of the workers" but their real legislative goal is to stop the boycott and to make strikes impractical.

In every major agricultural state the Farm Bureau has introduced anti-UFWOC collective bargaining legislation. In 1971 farm workers and their supporters defeated or delayed repressive legislation in Washington, Oregon, New Mexico, Michigan, Illinois, California, Colorado and other states. Some of the major defects in these state bills are as follows (these are only a few of the defects):

- 1) Prohibition against important elements of the boycott.
- 2) Prohibition against strikes at harvest time (when else are farm workers there).
- 3) A complicated election process that ensures that most seasonal farm workers will be gone before an election takes place.
- 4) Restrictions on the right of migrants even to vote in elections-if they happen to be around at election time.
- 5) Control of the election process by anti-UFWOC politicians (eg. Governor Reagan).
- 6) Elimination of card check elections and strikes as valid expressions of the will of the workers (under federal law card check elections are the most common form of election).
- 7) Inadequate remedies for workers against intimidation by growers and others in the community.

This Farm Bureau legislative thrust will continue at the state and federal level because growers want a "legal" way to stop Cesar Chavez and the farm workers union.

"SOME HISTORY AND SOME COMMENTS ON COLLECTIVE
BARGAINING LEGISLATION FOR FARM WORKERS"

On April 16, 1969 Dolores Huerta appeared before the Senate Subcommittee on Migratory labor and read Cesar Chavez' prepared statement on collective bargaining legislation for farm workers. In order to understand that position it is necessary to take a brief look at the history of labor legislation in the USA.

- 1932 Norris-LaGuardia Act (N-LaG): In response to widespread use of repressive court injunctions that crippled legitimate organizing efforts, Congress passed the N-LaG Act. It required federal courts, considering labor injunctions to give notice to all parties involved, to hear testimony of witnesses with opportunity for cross examination and to issue injunction only if the Court finds that the lack of an injunction will result in irreparable property damage and that greater injury will result to complainant from denying injunction than to defendant from granting it. This act was weakened by provisions of the Taft-Hartley and Landrum Griffin Acts. In most states (including California) employers can still go to state courts for anti-strike injunctions.
- 1933 National Industrial Recovery Act: Established public policy in favor of labor organizing and collective bargaining. The U.S. Supreme Court declared the Act unconstitutional.
- 1935 Wagner-Connery Act otherwise known as the National Labor Relations Act (NLRA): It created the National Labor Relations Board (NLRB); established procedures for union representation elections and good faith collective bargaining; outlawed certain employer unfair labor practices.
- 1947 Taft-Hartley (T-H) Amendments to NLRA: Outlawed certain unfair labor practices by employees; outlawed certain kinds of boycotts; permitted states to pass laws that allow workers to have benefits of contract without joining union or paying dues (major agricultural states like Texas, New Mexico and Arizona are "right to work" or better "right-to-parasite" states).
- 1959 Landrum-Griffin (L-G) Amendments to NLRA: strengthened secondary boycott restrictions; outlawed clauses in contracts which permit non-handling of scab products ("hot cargo" clauses); made organizational and recognition picketing illegal under certain conditions; in each of the above three cases required NLRB to seek an injunction against unfair union practices upon issuance of NLRB complaint (UFWOC asked in April 16, 1969 testimony: why no "mandatory injunctions" in cases of employer unfair labor practices?).
- 1959 Landrum Griffin Act otherwise known as Labor Management Reporting and Disclosure Act: This Act as distinct from L-G Amendments to NLRA provides for union membership rights, protects democratic practices in unions and requires reporting on membership and money matters to Federal Government. UFWOC has no argument with legislative support for democratic unionism. The references to L-G in this paper refer only to the L-G Amendments to NLRA.

UFWOC and Cesar Chavez favor legislation that will make possible a strong farm workers union. They are not asking for preferential treatment. All they are asking for is the same protective legislation that industrial workers had when they were in the position that farm workers are in today. To quote from UFWOC's statement to the Senate Subcommittee:

"The relief we seek today is neither very new nor very revolutionary. It has proved beneficial to the nation in the past when unions were weak and industry strong. We

" Farm workers boycott includes primary ("please don't buy lettuce") and secondary ("please don't shop at this store") elements. Both are very important to the farm workers cause. T-H outlawed the secondary boycott.

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need and favor NLRA amendments along the lines of the original Wagner Act, but we oppose for this period in history the restrictions of (the) Taft-Hartley (1947) and Landrum-Griffin (1959) (amendments to the Act)..... The policy of the original Wagner Act and its administration for 12 years (1935-1947) was to promote unionization of the unskilled and semi-skilled workers in mass production industry. Its aim was to quiet widespread industrial unrest and to meet the social and economic challenges of the great depression. Senators will recall that when the 80th Congress passed the T-H Act over President Truman's veto, labor leaders called it a "slave labor act". They were ridiculed later when their unions survived. But what survived? Large, well-established unions which had on-going collective bargaining relationships with employers who were by that time accustomed to dealing with labor unions. That's what survived.

"Taft-Hartley did, however, accomplish the purpose of its sponsors in that it effectively decelerated the pace of union organizing as annual union membership statistics will show. History will record that T-H and L-G together with continuing business community determination to oppose unions..... succeeded in checking the progress of labor organization in America before it had accomplished half its job..... Where would the large industrial unions be today if Congress had "protected" them from the beginning, not with the Wagner Act, but with the T-H Act & its present form?

"We too need our decent period of time to develop and grow strong under the life giving sun of a favorable public policy which affirmatively favors the growth of farm unionism."

What are some of the practical realities behind Cesar Chavez' statement? UFWOC has had nearly 7 years of experience under strike and boycott conditions. They have learned that growers can find hungry green carder workers in Mexico to break strikes. The result is that strikes, though costly, do not produce sufficient economic pressure to bring about bargaining and contracts. All UFWOC contracts with wine and table grape growers came under the pressure of boycott. Cesar Chavez and the workers with him have learned that it is the boycott and only the boycott that has the power to equalize and persuade in a wealthy industry that is hostile to unions. The NLRA (as amended by T-H and L-G) provides for elections and bargaining but does not require contracts. What if employers who are opposed to unions stall on agreeing to contracts? What leverage will farm workers have to produce contracts since the NLRA (as amended) takes away much of the power of the boycott?

Without access to equalizing economic power farm workers could be stalled at the bargaining table and tied up in countless NLRB and Court deliberations around unfair labor practices. Wealthy employers determined to resist unionization can file law suit after law suit against UFWOC and invite other lawsuits by committing unfair labor practices -- all with a mind toward avoiding contracts. This is not a myth! It is in fact what happens regularly in the southern textile industry and in other industries where the workers are weak and the employers and the community hostile to unionization. "NLRB and court cases involving J. P. Stevens & Co. serve as a good case history for anyone who is interested in learning just how an unscrupulous employer, who has the support of the local establishment, can make a mockery of the labor act. Since 1953, when the Textile Workers Union initiated an organizing campaign in its plants, complaints have been issued against the company on 10 successive rounds of unfair labor practices. The company has lost many a case, including one which cost it \$654,573 in back pay; but it hasn't yet signed a contract with the union and shows no sign of abandoning its illegal anti-union campaign. At this point the TWUA does not have under contract a single mill in the southeastern states belonging to any of the big three textile chains--Burlington, J. P. Stevens and Dearing-Milliken--even though the union has won NLRB elections at such plants. (from an article by Thomas E. Harris entitled "Remedies for an Aging NLRA")

It is a most beautiful form of non-violent struggle because so many thousands of people can become involved. The beauty of the boycott is most evident when you watch the people who do the work of the boycott. Many of them are farm workers; others are students, some have left religious orders, most are just plain folks. They all work hard and live on room and board and five dollars a week. They spend 8-10 hours a day, six days a week in grocery store parking lots talking to customers. In an average day a boycotter will talk to 150 customers; some will ignore her or coldly reject the cause; others will curse her out or call her communist; but 30-50 of those customers will understand and will care enough to turn away. Listen to a typical conversation:

Please help farm workers today by not shopping at Safeway (or A & P).

(Safeway, ...Why, what's wrong with Safeway?)

We are asking Safeway to help the farm workers by selling only union lettuce and they refuse.

(Why pick on Safeway?)

Because they are the largest chain in the West and because they have refused to help. Other chains are cooperating and are selling only union lettuce.

(Well, I won't buy lettuce)

That's very helpful, ma'm, but it would be even more helpful if you shop at another store today. If Safeway actually loses customers they may be persuaded to do what's right.

(But the nearest store is six blocks away and my kids are at home waiting for dinner.)

I understand that but think about the suffering of farm workers. Is it really such a big thing to go six extra blocks to help them? Here is your chance to do something specific. Please do a simple deed for justice. Don't shop at Safeway today.

Every day in every major city individual Americans respond to the pleas of the farm workers and their supporters and turn away from stores like Safeway. It is in fact a beautiful thing to see: hard work, sacrifice and simple persuasion by the boycotters and the willingness on the part of millions of folks of all colors and kinds to do "a simple deed for justice." The boycott is an almost perfect example of determined non-violent action. And it is effective. Most chain stores will not tolerate the steady loss of their customers. In time they decide to cooperate with the farm workers' cause.

But is the boycott necessary? Why don't farm workers just talk to their employers directly? If they won't talk wouldn't a strike be sufficient to make them talk? In the grapes of course farm workers asked for elections, asked for a meeting but were ignored; they then went on strike and continued the strike. On August 3, 1967,

THE FARM WORKERS' BOYCOTT* IS MORAL & LEGAL

It was a meeting like many others we had been in before. Two farm workers, a Rabbi, a housewife and I were talking to the owner of a large Southern California supermarket chain. Inside, Mr. S (the owner) was elaborating on why he wouldn't help farm workers by removing non-union lettuce from his stores. First of all he did not want to become involved. He reminded us that he was not a farmer nor did he employ farm workers. All he wanted to do was run his grocery business. His business principle is to sell anything his customers are willing to buy. We described the suffering of farm workers. We told him about the benefits of the union. We explained to him that he was already involved because he was supporting the growers by selling non-union lettuce. We urged him to elevate the needs of poor people above his business principle. He said his only responsibility was to his customers. We disagreed. We reminded him that his company did its business and made its profits in this society - not on some other planet. We tried to show him that he had a broader responsibility in this society - a responsibility to support poor people in their struggles, a responsibility to help make America a more just society, a responsibility that is even greater because of his power and influence. He was not convinced.

So we told him that farm workers had only one recourse: since he was unwilling to respond on the basis of moral responsibility then we would have to go to his customers and explain the issues and ask them not to shop at his stores until he was willing to do what was right and just. Mr. S probably doubted that his customers would pay any attention. But the next day each of his stores had 2 or 3 boycotters in the parking lot peacefully handing out leaflets, talking to people and urging them to shop at another store. In two weeks 7,500 customers had turned away from Mr. S's 29 stores. His customers cared - not all of them - but enough to persuade Mr. S to alter his business principle and begin to sell only union lettuce. What he would not do because it was right he eventually decided to do because he was losing money.

People have different images of the boycott. The growers call it "immoral and illegal" which makes it sound a little evil. But the boycott is clearly not illegal since farm workers are not covered by the law which outlaws some kinds of boycotts.** Is it immoral? No one ever claimed that the boycott is perfect or pure. It is a way of bringing non-violent pressure on stores and on growers. It is the contention of this paper that the boycott is a morally sound and crucially important way of carrying on the farm workers' struggle for justice and dignity. Cesar Chavez calls

* The Farm Bureau and other agribusiness interests are making considerable noise about legislation. They talk about "secret ballot elections" and "the rights of workers" but their basic legislative goal is to eliminate the boycott and make strikes impossible or impractical. This article was written by the Rev. Wayne (Chris) Hartmire, Director of the National Farm Worker Ministry. It is available in limited copies from the NFWM office: 1411 W. Olympic Blvd., Rm. 501, Los Angeles 90015. Other papers on legislation & elections are also available from the NFWM office.

**The 1947 Taft-Hartley Amendments & the 1959 Landrum-Griffin Amendments to the National Labor Relations Act (NLRA) make secondary boycotts illegal. The farm workers' boycott includes primary ("please don't buy lettuce") and secondary ("please don't shop at this grocery store") elements. Both elements are very important to the success of the boycott.

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80-90% of Glumarra's farm workers went on strike but instead of talking to his workers Glumarra spent thousands of dollars to recruit hungry people from Mexico to come and pick his grapes. The farm workers continued to strike but they also began a boycott of Glumarra's grapes. Glumarra got around the boycott by illegally marketing his grapes under labels provided by other growers. The farm workers' union eventually had to boycott all grapes and they eventually won contracts with their employers. In 1967 Glumarra (and other grape growers also) had so much unilateral power that he could refuse even to talk to his workers about an election. In 1970, after 3 years of strike and boycott Glumarra negotiated a contract with UFWOC and happily began to sell grapes again.

In lettuce the farm workers' union is faced with the same situation as in the grapes. In July of 1970 Cesar Chavez asked lettuce growers for a meeting to discuss elections. The growers ignored this offer, sought out another union and signed sweetheart contracts behind the backs of the farm workers. Cesar Chavez repeated his offer for elections. The workers elected UFWOC Ranch Committees, organized and on August 24, 1970 went on strike to gain the union of their choice. 7,000 workers went on strike in what the L.A. Times called the largest farm labor strike in U.S. history. The industry was shut down. Some growers decided to negotiate with UFWOC. But the vast majority sought other ways to stop the farm workers' union. In September the growers got a local judge to outlaw the strike.

The farm workers had to choose between violating the court order or going out on the boycott. They decided to go to all the major cities to ask consumers to support their struggle. The lettuce boycott was effective. The Teamsters and UFWOC reached an agreement. The growers decided to negotiate. In March of 1971 UFWOC suspended the lettuce boycott and began serious negotiations with the lettuce industry. But the growers were not that serious. They stalled the negotiations through the key 1971 harvest and then rejected all the compromise proposals offered by UFWOC. The negotiations are over and farm workers have no other recourse but to return to the lettuce boycott.

The point of these illustrations is to show that the boycott is necessary if farm workers are to win the simple right of negotiating with their employers. The boycott has been used because growers refuse even to talk to their organized workers; the boycott has been used because growers are willing traffic in the hunger and misery of another country in order to bring in strike breakers. Agricultural employers could avoid all the pressures of the strike and boycott if they would be willing to respect their workers enough to sit down and talk with their representatives. How much better it would have been for Glumarra if he had had an election and negotiated in good faith in 1967 instead of 1970. How much better it would be for the lettuce industry if they would negotiate in good faith now instead of after a long and costly boycott.

The boycott is reasonable, necessary and directed toward a just end. For those who hesitate at this point ask yourself these questions: would it be better, would it be more just if farm workers were to stay locked in poverty and misery for another 100 years? Humanly speaking would it be better if the grapegrowers had succeeded in thwarting UFWOC's effort by using poverty-stricken people from Mexico to break every strike effort? Hasn't the boycott helped to open up a whole new world of possibilities for farm workers?

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Is Moral & Legal

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The boycott is both moral and legal. It is essential to the success of the farm workers' struggle. It is a way for farm workers to recruit practical and useful support from millions of Americans. It is a way for us to keep casting our vote for or against justice because the boycott will continue; now wines and lettuce, later other crops because there are hundreds of thousands of workers in citrus, vegetable, sugar, tobacco and melon fields who want and deserve a strong union.

The boycott is moral and legal. The fact that Congress in 1947 was fanatically anti-union and passed an anti-boycott law over the President's veto is no argument for outlawing the farm workers' boycott. Perhaps the full strength of the boycott should be made available to all workers again. Perhaps then all the Black and Brown working poor of America would have an adequate non-violent tool to bring about a measure of justice for themselves and their families.

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1/72

High prices brought by superior "off season" products more than offsets high cost transportation to distant markets.

State produces one-half nation's fruits and nuts, most canned asparagus, packs one-fourth nation's canned fruit, all olives, almonds, lemons, nectarines, pomegranates, apricots, broccoli, fresh asparagus, persimmons, dates, grapes, plums, dried prunes, walnuts.

Cash receipts in 1952 were \$2,742,000,000; in 1961, \$3,251,500,000.

Crop	Value in \$1,000	National ranking
Almonds.....	35,586	1st.
Apricots.....	14,605	
Artichokes ¹	4,539	
Asparagus.....	26,064	
Avocados.....	9,940	
Barley.....	93,468	
Beans, green lima.....	8,475	
Brocoli.....	12,366	
Brussels sprouts.....	6,325	
Cantaloupe.....	33,055	
Carrots.....	25,332	
Cauliflower.....	7,542	
Celery.....	26,302	
Cherries, sweet.....	26,302	
Dates.....	3,120	
Figs ¹	5,406	
Garlic ¹	2,544	
Grapes.....	149,543	
Honeydew melons.....	5,532	
Lemons.....	32,706	
Lettuce.....	66,296	
Nectarines.....	5,562	
Olives.....	7,152	
Peaches.....	55,788	
Pears.....	32,918	
Peppers chili.....	2,352	
Persian melons.....	1,155	
Persimmons.....	269	
Plums.....	12,665	
Pomegranates.....	264	
Prunes.....	45,870	
Rice.....	59,972	
Seed alfalfa.....	15,847	
Seed clover red.....	395	
Seed purple vetch.....	522	
Spinach.....	2,698	
Strawberries.....	36,438	
Sugar beets.....	148,226	
Tomatoes.....	125,686	
Walnuts.....	28,035	

¹ 100 percent of U.S. production.

² Estimated.

THE CHANGING WAY OF LIFE IN CALIFORNIA AGRICULTURE

The agricultural way of life is changing; indeed, it already has changed strikingly from the traditional pattern. Although both productivity and farm receipts have risen steadily over the last two decades, employment on farms has steadily declined. In 1962 it was only a little more than 5 percent of all civilian employment in the state, as compared to 11 percent in 1940. Only 2.7 percent of the state's people now live on farms. As short a time ago as 1950, 10 percent were reported to be living on farms in the state. The farms of California also are becoming steadily larger. In 1963 the average size was 400 acres, about 58 percent larger than the size of 1945. But this does not tell the whole story. Six percent of the approximately 99,000 farms in the state contained 75 percent of the total land in farms, and a mere 3 percent contained almost two-thirds of the state's farmlands. The small family farm, once the pride of the nation, has declined to vestigial significance only. Between 1949 and 1959, 95 percent of the decrease in number of farms (27.6 percent) took place as the result of consolidating farms of 88 acres or less.

CAN WE SAVE THE FAMILY FARM

It is a special pleasure for me to accept the kind invitation of your executive secretary, Mrs. Grace McDonald, to appear before your group here today. For some time now I have been following with keen interest your California Farm Research and Legislative Committee's "grass root" efforts to expose the realities that face the family farm and to scrape away the public's complacency and unconcern about its future. For, as your studies have already shown, the position of the family farm is indeed precarious. There is no guarantee that there will even be such an institution when we enter the 21st Century--only 36 years from now.

The Farmers Home Administration claims with pride to be the major Federal agency defending the family farmer and helping him solve his problems. But sometimes, we, in my agency, can't help but feel a bit depressed because we seem to be alone--assailed by those who say we don't do enough for the small farmer; accused by others of helping to perpetuate an inefficient agriculture.

So it is with a deep sense of satisfaction--a moral uplifting if you will--that I have looked forward to being here.

Keynote address by Howard Bertsch, Administrator, Farmers Home Administration, Washington, D. C., at the Family Farm Workshop conducted by the California Farm Research and Legislative Committee, Fresno State College, Fresno, California, May 23, 1964.

Too, I feel at home here because I was born in the West and grew up learning to know farming as a way of life. Indeed, most of my years have been spent in an atmosphere where the growth, the strength, the development of the family farm was the guiding light and driving force behind my thoughts. I also feel right at home because I know I am with folks who know farming inside out. You manifest an awareness of, and an interest in agricultural programs and policies, your research into the problems facing the family farm and this family farm workshop, demonstrate that you are not afraid to face hard truths--not afraid to look reality in the eye. You ask a speaker--regardless of his views--to talk squarely from the shoulder. There can be no greater compliment from any audience.

I have every intention of speaking some hard truths. I should like to discuss with you our family farm situation as I see it. Who supports it? Who is working to destroy it? Where is the family farm headed in this era of violent change? in a nation that seems hell bent on urbanizing just as fast as possible.

Before taking my present job three years ago, I was with the Ford Foundation, spending some seven years in Iran, a country as different from the U.S. as night from day.

During those years my colleagues and I struggled with problems of land reform in that emerging nation. The rural population consisted of two groups only, the rich who owned the land and the poor who worked it.

It was a situation ripe for reform--or revolution. The Government was frantically trying to bring about a reform before a revolution could sweep the country. They wanted to build a family farm structure before it was too late. And it appears now that they may be successful.

Before I left the United States in the early fifties there existed among our leaders deep concern about the future of the family farm. It was the big issue of the day. How to maintain the position of family farming in American agriculture was constantly debated and discussed. There was concern back in those days. There was interest.

When I returned in 1961, however this atmosphere had changed. Gone was the widespread concern over family farming in this country.

A person no longer heard the argument that once had the force of Holy Writ; That the family farm had special virtues, not only in terms of agricultural efficiency, but also in terms of the American heritage of small business and free enterprise.

In short, the 1950's had produced an unfortunate change in the way Americans looked at their agriculture.

Farming had become a business, pure and simple; the farmer a businessman--his operations to be evaluated strictly in business terms. This attitude had even taken hold of certain agricultural leaders and farm organizations.

Where in former days, farm professionals would hotly argue the best approaches to getting more resources for small farmers, establishing families on better land, organizing marketing co-ops; now they seem more

concerned with the techniques of production on only the biggest farms--the automated devices, input-output records, advanced engineering designs--that kind of thing.

Now I am certainly not criticizing the business-scientific approach to agriculture. It is necessary, of course, and proper. For agriculture is a business. To make a success of it and to stay competitive, farmers must have enough land and equipment and buildings.

I deplore, however, in the climate now existing, the general complacency over the welfare of families as independent owner-operators of their farms.

Clear and chilling examples of this are in the newspapers all the time--receiving nationwide attention.

Proceeding with a national policy of complacency toward the family farm could mean that by the turn of the century few would be left.

Authors of some reports would pit farmer against farmer, so that only those with access to unlimited capital and capable of marketing huge volumes of products could survive. They would transfer enmasse all other families from the farm to the city to face a future of welfare doles and urban slums.

Proponents of this anti-family farm view assert that today, we live in a highly organized business society. If the ultimate evolution of agriculture produces large-scale corporate units and the passing of family owned and operated farms, well, they say, so be it.

This kind of thinking is now all too prevalent. It reflects a sense of fear hostility to the family farm and to those who operate them.

We must change this line of thinking.

Let's thoroughly air the issue in the halls of Congress, from the academic lecture platforms, through the press and in our own communities. Let's have a great debate.

In the Administrative side of the Government, under the guidance of President Johnson and Secretary Freeman, we've already taken a cold look at the facts and asked some tough questions. If finding the answers was not easy, getting public action on the solutions is even tougher.

We considered these questions:

- 1--Where does the family owned and operated farm stand in today's economy--just how efficient is it?
- 2--Which farm programs are of real aid, and which are actually striking at the position of the family farm? What changes need to be made?
- 3--What do farm people themselves need to do in the way of fighting for better markets and establishing some degree of control over surplus production?
- 4--How can the family farmers themselves shake the public's complacency?

You could add other important questions to this list. Questions that need to be resolved through a clear national policy.

Recently some statisticians made a study of the 100,000 farms that form the upper echelon of American agriculture. This was a complacent review of modern agriculture. The authors saw no cause for alarm.

I wish I could feel as relaxed about the situation.

These farms represent only four percent of all commercial farms but they account for one-fourth of the total land in farms and one-third of the marketings.

Moreover when you closely examine the figures half of the production from this small group of farms comes from the 20,000 that produce over \$100,000 a year.

This is quite a concentration of resources.

If this trend continues who knows what the next decade will bring.

If four percent of the farms in 1959 produced one-third of the marketed farm products might not eight percent by 1969 produce two-thirds of our food and fiber?

There are other facts and figures that give us cause for concern-- concern about the future of the family farm.

Now, in discussing the family farm, I am well aware that it carries many definitions. In fact, so many definitions are floating about that increasingly we are told, the whole subject is impossible to discuss because after all no one any longer knows just what a family farm really is.

Masterminds of this theory argue that so many different kinds of arrangements have grown up--joint ownership, business partnerships, family corporations, supplier-farmer arrangements, and so forth, that we no longer can or should attempt to define what we mean by a family farm.

Well, all I can respond to that is, maybe so, but in the interest of a healthy American agriculture, we'd better have a try at a definition.

Personally I accept the definition that the family farm is a family enterprise, a farm operated by and for the family. There might be a hired man, plus some seasonal hired labor. But basically the farmer and his family live on the place, control the resources of the place, make the decisions, get out and do a good part of the work and reap the rewards or losses, as the case may be.

Now the farmer may rent additional land--many good farmers these days do. He may have a sizeable debt--not an uncommon position these days. Nevertheless, he and his family do most of the work, make all of the decisions, and in most cases live year-round on the farm.

We think we can also say what a family farm is not. A family farm isn't a farm owned and directed by a city professional 500 miles away. And it isn't a farm run by a manager hiring labor by the hour, day or season, with freedom to throw them out on their own the very day the crop is harvested.

Size alone is no measure of the family farm, as we all know. It may be a 2-acre poultry farm in New Jersey, a 240-acre corn hog farm in Iowa, a 2000-acre wheat farm in Oklahoma, or a 10,000-acre cattle ranch in Wyoming. Size varies according to the type of agriculture pursued.

Now in accepting this definition, I am talking about family farms that produce for the commercial market. This is not to overlook subsistence, and part-time farming for indeed my agency is dedicated to helping them, too, in every way possible. But they face problems and threats of disaster quite different from those facing the family farm producing for the commercial market and I suspect that it is the commercial family farm that you are more interested in discussing here today.

The family farm is distinct from a huge farm operating mostly with hired labor. It is different from a state-owned collective farm. Its distinguishing feature is the incentive and enterprise that come with individual families operating and owning their own farms.

Perhaps the family farm concept can best be illustrated by the conversation that took place between a family farmer and a worker on another kind of farm, who were comparing the merits of their respective lots.

The family farmer said: "I work hard from sunrise to sunset, and even later. I worry about weather and about prices, but I look with pride on the growing crops and healthy cattle.

"I don't have all the machinery I need and it seems to break down from time to time, but I can buy a new piece once in awhile. I don't earn as much as I would like, but I think I will do a little better next year. With the good Lord willing, I expect to have a new house someday and a better barn and the farm paid for. Then I won't have to work so hard and it will be all my own."

And the worker on the industrialized farm said: "I work only an eight hour day. I get out one of the tractors each morning, and work the field to which I am assigned. When my eight hours are up I can go home. My foreman isn't too bad. I don't have to worry about weather or prices, because my check comes every week. I can save a little out of that wage, and I figure that, if I can keep this job for 20 years, I'll be able to save enough money to make a down payment on a farm of my own like yours."

The family farm concept revealed by that story is quite clear. For it remains one of the greatest strongholds of individual enterprise in our nation--represents the best social and cultural values of rural life. It has been with the "family farm" that we have developed the world's most productive agriculture. Furthermore, this has been the one institution supporting our rural towns and villages.

Given a fair and equitable economic climate, access to markets, protection from unfair competition and monopoly, and modernized government farm and tax programs, the family owned and operated farm can remain the most productive and efficient the world has ever seen.

We know in USDA that most farms reach peak efficiency when one good family operates one good full line of equipment. Beyond this point, except in rare instances, efficiency goes no higher.

The testimony prepared for you by Dr. Richard Sasuly of UCLA also bears this out. In fact, his research reveals some surprising weaknesses of exceedingly large scale operations as compared to those of family farms.

Big farm weaknesses were also revealed in a recent article carried by a nationally read farm magazine. Titled "Why Do Big Farms Fail?", it assented that in big farming, farm management and farm labor are split apart, and the result is a cost high in loss of initiative, diligence and skill.

"When a farm gets so big that it must rely heavily on hired labor," the article says, "it gets on shaky ground and requires better and better management. An excellent farmer may find that he's only average at hiring good help or overseeing hired hands. Managing the help cuts into the operating work that the farmer can do himself--and it's a prize hired hand who can work as well as the owner. Labor efficiency usually starts going downhill in the livestock business when the farm gets larger than one man can handle with good mechanization."

This article has a good case in point but if the larger than family farm has such weaknesses, why is it that the future of the family farm is in doubt?

I see four reasons. Perhaps you see others.

First, the family farm is handicapped by some policies and programs that operate contrary to its best interest.

Second, vast changes in supply and marketing are tending to favor the large vertical-integrated operation.

Third, required increases in farm investment yield net profits too thin to cover interest charges on huge amounts of borrowed capital. This large investment-low return ratio makes it difficult for younger people to enter agriculture.

Fourth, corporate type and vertical-integrated farm operations have access to prime credit sources at prime interest rates.

Let me dwell for a moment upon each of these reasons.

In the field of national programs, corrective legislation is needed in several fields. We need legislation to close present federal state income tax loopholes allowing city business interests and "hobby farmers" to operate large farming operations at a loss and offset these losses against profits in non-farm business enterprises.

Some suggest that we need legislation to establish an upper limit cut-off on the amount of subsidies that can go to any one farm.

Unpublished studies show that of 3.6 million farms, some 100,000 receive 1/3 of the benefits of price support programs. If the Government spends \$3 billion yearly on price supports, about \$1 billion goes to a handful of big farmers. In the cotton program for example, \$36 million was split among 322 big farmers for an average payment of \$111,000 each. The remaining \$40 million was split among 650,000 smaller farmers for an average of \$62 each. These huge subsidies

now being channeled to larger than family farming interests push up the cost of government programs, incur the public's anger, and enable the huge factory farm interests to further intensify their competitive position against the family farmer.

We need legislation, and this is way past due, to extend minimum wages and acceptable working conditions to hired agricultural labor. The family farmer cannot hope to obtain a fair return for his own labor as long as he has to compete with hired farm labor working at a chronically-low wage and existing under subnormal working and living conditions.

We need legislation to tighten up anti-trust laws. We need to stop the practice whereby agriculture production is vertically integrated with agricultural supply, processing and retailing operations, giving nonfarm business interests complete control. A look at the broiler industry reveals the disastrous effects and should be warning enough to other family farmers still able to exercise control of their farming business.

Finally, we need legislation to make it unlawful for food combines composed of processors, handlers, or other dealers or distributors to coerce or interfere with any farm producer in his right to join or help form a cooperative. An example of this type of despicable action by huge combines was related to me recently by Oliver Duval, our Farmers Home Administration state director for California. He told of several Grade A dairymen in the Hanford, California area who had their milk contracts cancelled by a large chain store because they had joined together in a cooperative effort to improve milk prices.

Now as to my second point which has to do with the vast changes taking place in supply and marketing. We are all aware that the farmer depends more heavily than ever on purchased inputs and cash markets for his products. Gone forever are the days when he raised his own power, produced his own fertilizer, grew all his own feed. The result of this is that for every \$1 in income, the American farmer has to pay out 70 cents in farm expenses.

He is still in the uncomfortable position of having to accept wholesale prices for what he sells and pay retail prices for what he buys--and he is now buying more and more of the elements of production. We are aware too that mass merchandizing methods in food distribution have created markets in which buyers demand large volumes of uniformly good quality produce. As a result of these changes large producers have purchasing and marketing advantages that formerly did not exist or were of little importance.

In some instances, processors--in a position to command retail-outlet prices,--are integrating entire production operations with their nonfarm operations.

In others, suppliers--in a position to buy farm inputs at wholesale--are performing a larger part of the production function under contract.

The family farmer cannot hope to compete against such obstacles.

It is facts like these that prompted Secretary Freeman to say "There are forces unrelated to the efficiency of family farming which work constantly to erode its economic strength, to compress and control

its markets and to alter its independent position. . . vertical integration, contract farming and the growing dominance of the retail end of food processing--all unrelated to the efficiency of the family farm--may well endanger family farm agriculture."

It is only through strong farmer-owned co-ops and similar means that family farmers can battle vertical integration. Along this line, we need legislation to permit farmer co-operatives to buy existing supply processing and marketing facilities. In addition, Federal loans--direct or insured--should be made available to groups of family farmers who desire to build co-op supply, processing and marketing facilities.

My third point, that required increases in farm investments yield thin net profits and make it difficult for young people to enter agriculture is not an easy one to solve. Also these huge investments and low net returns make family farmers more vulnerable than they used to be to the effects of sharp price declines or crop losses resulting from adverse weather. One answer, of course, is to improve the farmer's prices so that he gets a fair return for his investment and work. Other answers might include (1) special low interest rates for family farmers during the first 5 to 10 years after they buy their own farms, (2) exemption from taxes on a certain part of the valuation of their real estate and personal property, and (3) more leeway when filing Federal and state taxes, to carry over extraordinary profits from a good year to a year when profits are slim.

My fourth point has to do with credit. Because corporation and vertically integrated operations are so big, have such extensive holdings of property and inventory, can command favorable prices both in buying and selling, and are frequently owned and directed by persons with other financial interests, they have access to prime credit sources and prime interest rates. Therefore they have little problem meeting the capital requirements of modern agriculture. But the family farmer is not so fortunate. If he is unable to tap private and cooperative lenders for the necessary credit, he has to turn to Government credit or to high interest rate "supplier" and "loan shark" credit. Consequently, without the Farmers Home Administration, the family farmer faces a distinct disadvantage in meeting the capital requirements so essential to maintaining a strong position in this highly competitive business. Yet his capital needs are increasing all the while. A USDA study shows that the average investment per farm is 8 times greater today than 23 years ago, rising from \$6,308 in 1940 to \$51,472 in 1963. One of the basic answers then, to the preservation and strengthening of the family farm as an American way of life, is to see that enough credit is available so family farmers can make adjustments and improvements to stay in business.

The problems which I have just outlined are real. And the solutions are not always so easy to work out. However there is in Washington today a real awareness of farm problems and other problems that face our nation. We have in President Johnson and Secretary Freeman, men who are deeply concerned with the welfare of people. The President's trips to our troubled rural areas is a case in point. And Secretary Freeman

also has--time and time again--taken to the road to visit with farmers to get their views. During his less than four years in office, he has already spoken more frequently, more forcefully and more often in defense of the family farm than any other Secretary of Agriculture of our times.

From my own position as Administrator of the Farmers Home Administration I wish to point out--as forcefully as possible--that our agency is dedicated to the preservation of the family farm. We are pitting all our efforts, directing all our talent toward supplying capital to those owners and operators of family farms who face the alternative of growing--or going.

We now make loans up to \$60,000 to buy, develop, and enlarge farms; loans up to \$35,000 to buy livestock, equipment, and to pay farm operating costs.

We are concentrating on the problems of those deserving young farmers without much equity but who have the character and farm know-how to make a success in agriculture.

Farmers Home Administration always has put a proportionately larger amount of its resources into farms owned or operated by young farmers. With higher loan ceilings we now are able to help some of them get started in a farm business big enough to assure good prospects of success.

Housing loans to rural people include loans to build rental housing for senior citizens so that they may move into attractive housing enjoy the companionship of those their own age, and free the family homestead for their sons and daughters who wish to take over the farm.

Loans to family farmers to add an income-producing recreation enterprise to their farm business and loans to nonprofit groups to finance rural community water systems, grazing associations, and shifts in land use from agriculture to recreation--all these tools have been added to the Farmers Home Administration kit during the past few years.

Nevertheless, for all the zeal of Farmers Home Administration employees--and they are second to none--for all the major improvements in the Farmers Home Administration program of supervised credit that have been made during the past few years--we still are unable to benefit the most poverty-stricken farm and other rural families. We don't have the tools. And we don't have enough trained people. But the Farmers Home Administration will receive these tools and our agency will play a major role in the war on poverty if the proposals contained in the Administration's Economic Opportunity Act now being considered by the Congress are enacted into law. This anti-poverty program--given both the rein and the spur by President Johnson--is designed to energize Federal, State, local, and private agencies, and provide them with new tools to leapfrog the problem of poverty in the U.S., to get in front of the problem as it were, head it off, and finally overcome it.

The focal point for this program is people--people handicapped by such things as age, lack of education, and physical disability. The program is realistic, it is workable, and it is based on conservative economic principles. It is designed to help people where they are, to help them become taxpayers instead of taxusers, to help them become an aid to our economy instead of a drag on the economy.

All of the measures proposed in the bill, the work training and educational
the grants to balance farm and home plans, the strengthening of the farm

ownership program, the aids to small cooperatives, make up a unified, direct, and well-coordinated assault on the causes of rural poverty. Each part is essential to the success of the whole. Each complements and reinforces the other parts. It is a program well-designed--a program that reflects the foresight of President Johnson.

In 1963, Farmers Home Administration loaned rural families \$795 million. This was the largest amount of loans during any 12-month period in the history of the Farmers Home Administration.

It was 25 percent more than the 1962 total, a new record at that time and 158 percent more than the amount loaned in 1960.

Some 260,000 families, including those served through community water systems, used Farmers Home Administration credit services the last fiscal year, 31 percent more than in 1960.

Here in California, Farmers Home Administration lending between 1960 and 1963 went up 218 percent, from \$1,094,000 to \$9,342,000. More than 2,400 California families are now using Farmers Home Administration credit for one purpose or another.

We have established this record nationally--2-1/2 times as much money loaned and 61,000 more families being served in the nation--with basically the same manpower that we had in the agency a little over three years ago.

I am proud of this record. However, individual agency and group efforts are not enough. What we need, what we must have--before it is too late--are reforms in our basic farm, credit, tax, land and other policies with the aim of concentrating the benefits of these policies on the family farm only.

The time to take action is long past due. There is real danger that out of the present conflict over farm policy, there will rise in the public mind, confusion as to the value of sustaining the family farm and eventually from this confusion will come public apathy and indifference. This in turn could provide exactly the atmosphere which is suitable to "things taking their course," a course that might lead to the eventual passing of the family farm as we know it today.

We need more family farm crusaders the nation over like your own Grace McDonald. And we need in other states more farm family workshops like we have here today and more family farm research and legislative committees.

May you grow stronger through the years and may many more like you take up arms for the "family farm," the stabilizer of our free and democratic nation.

May 14, 1964



DEPARTMENT OF AGRICULTURE
WASHINGTON 25, D.C.

May 22 1964

Mrs. T. M. Stout
9927 Hallack Street
Northridge, California

Dear Mrs. Stout:

Thank you for your letter of May 21, 1964, to which you attached material in support of your contention that the 160-acre limitation should apply to all of the lands benefited by the San Luis Irrigation Project.

The Congress has given the Department of Agriculture a mandate to "encourage, promote, and strengthen" the family farm in the United States. There is no question but that various programs, such as reclamation in the West, should have some limitations. Otherwise, as you have indicated, the benefits of development would accrue to large landowners. As we see it, the 160-acre limitation is used as a device to restrict the benefits to any one individual. In our opinion this is a justifiable limitation.

Too often, when people refer to subsidies they overlook the fact that other industries receive far more help in this regard than agriculture. You are undoubtedly familiar with the report of the Agriculture Committee of the House of Representatives, "Government Subsidy Historical Review," Revised May 10, 1960; also, the study of the Joint Economic Committee of Congress, "Subsidy and Subsidy-Like Programs of the U. S. Government," 1960. Before arrival at any program involving such financial assistance, both the legislative and executive branches of the Government give full consideration to the question of need for it on a basis of the national welfare.

Subsidies have been used in the past to strengthen and protect infant industries. They have been used to encourage railroad companies to build lines across the plains to the West Coast. They have been used to preserve manufacturing plants that would be needed in time of war. Subsidies are only authorized by Congress after they are determined to be essential to national welfare.

I would like to point out that considerably more than half of the money appropriated to the Department of Agriculture goes for purposes other than payments to farmers. A large portion of our time and money goes into work benefiting all citizens. The Forest Service is one example, and there are many others.

I have the following comments on the questions regarding agriculture raised in your mimeographed statement:

1. Q. While many families are moving off farms, are subsidies making it possible for large corporations to monopolize farm lands?

A. It would appear that other factors - "subsidies" - such as tax writeoffs have a greater influence on the direction land purchases are taking than any payments made by the Government.

The wealthy, both individuals and corporations, seem to find agriculture an attractive industry in which to lose money to offset profits made in other operations. As an illustration of how much of this type of thing goes on, our economists made some studies of Internal Revenue Service figures on the tax returns of "farmers." They found that the approximately 10,000 "farm proprietor" returns with adjusted gross incomes in excess of \$50,000 showed aggregate losses from farm business that exceeded aggregate profit by more than 2 to 1. For the 188 farm returns with \$500,000 or more in adjusted gross income, farm losses exceeded net profit by about 109 to 1.

Thirty-one percent of the farmland sales made last year were to nonfarm people.

2. Q. Are vertical monopolies from bracero labor through railroad shipping and super market chains being established because of public subsidies to large-scale farming?

A. There are many who claim that the importation of bracero labor for use on the large farms works to the disadvantage of the family farmer because it forces him to pit his labor and that of his family against cheap imported labor. This would seem to be true because the products of both types of farms are sold on the same market and when the supply is greater than the demand, the price is forced down to the lowest cost of production. The bracero program, which is administered by the Department of Labor, will end December 31, 1964.

3. Q. Are whole crops--for example, the orange crop, going under monopoly control to make oranges a high-priced luxury food?

A. There is little doubt that the establishing of monopoly control over any product has the inevitable result of raising the price of that product over what it would otherwise be.

4. Q. Are food consumers unwittingly hiding food producer's costs in their tax bills to buy food at lower prices?

- A. More significant to us is the fact that until food producers - the farmers - receive full parity for their commodities, they are subsidizing the consuming public by the amount their aggregate incomes fall short of the parity figure.

There are those who claim that farmers could be paid parity prices for their commodities without increasing the costs to the consumer. They contend that the chain stores are making excessive profits, and that if their profits were reduced to reasonable amounts the difference would be sufficient to make up the farmers' shortage of parity.

The House Agriculture Committee has pointed out that the farmer actually received on the average 12 percent less for his products during the last year than he received during the period 1947-1949. The consumer, on the other hand, paid 29 percent more. The farmers' share of the consumer's dollar slipped from 44 cents in 1953 to 38 cents in 1961.

5. Q. Are not family-sized farms efficient operations after all?

- A. You are quite right. Family farms, on the whole, have proven more efficient than any other type of farm operation. Neither the great plantations that exist in many countries of the free world nor the vast state or collective farms of the communist world have been able to match the efficiency of the American family farmer.

6. Q. Senator Proxmire asks why we irrigate deserts when we produce food surpluses.

- A. In the main, products grown on reclamation projects in the West are commodities that do not contribute to the surplus problem. The development of these projects results in major increases in the local economies, as well as the national economy.

We appreciate receiving your comments concerning the work of the U. S. Department of Agriculture, and we are glad to know of your vital interest in maintaining the family farm.

Sincerely yours,



Orville L. Freeman
- SECRETARY -

POOR, HARDWORKING? A FREE FARM IS WAITING

Oklahoma City—If you are unemployed, but would like to earn your way and don't mind working hard, the State of Oklahoma has a proposition for you.

The state Office of Economic Opportunity is looking for 300 families it plans to set up with 10-acre fruit farms and minimum incomes of \$7,000 a year.

If the program is successful, several thousand more Oklahoma families will receive the same deal within five years.

Gov. David Hall stresses that the program requires hard physical labor and perseverance. To acquire title to 10 acres in southeastern Oklahoma you have to clear the land of black jack and scrub oak.

The OEO will provide free use of chain saws and other equipment for clearing, plus instructions on how to run the equipment.

Then the OEO will help grade the land and provide vines and trees for an orchard. OEO officials say the orchards will produce at least \$7,000 a year for each family in the program.

The state agency will provide instructions and assist in getting the operation started.

The OEO will offer temporary housing during the clearing and, later, will assist in obtaining financing for a low-cost, modern home on the farm site.

To qualify, you must earn less than the federal poverty guideline, which ranges from \$1,600 for a farm family of one to \$5,600 for a non-farm family of seven. You also must receive some type of subsistence income, such as welfare assistance, Social Security or a private pension.

The subsistence income is necessary because first-year income from a berry crop will total only about \$1,500 per family.

In addition, the OEO will offer \$200 per month for part-time work clearing land on adjoining property.

In the third year a family can expect an income of \$7,000 or above with a fully producing orchard, officials estimate.

OEO Director Rex Sparger has obtained 3,100 acres nine miles east of Springtown to accommodate approximately 310 of the vineyards and fruit orchards.

The area, green and rolling, is fertile with wild grapes and thick woods.

[From the California Homeowner, March, 1971]

These tables show how much assessments on TENNECO, formerly Kern Land Co., has been going down since 1967, when TENNECO took over (see story on p. 3).

PARCELS WITH MINERAL RIGHTS ONLY (NO LAND)

Number of parcels	1970		Comparative year		Percent difference	\$30 assessments
	Year	Mineral rights assessment	Year	Mineral rights assessment		
712	1970	\$6,960,020	1967	\$7,816,898	-11	262
20	1970	136,770	1968	143,010	-04	5
70	1970	432,690	1969	357,690	+17	7
220	1970	318,072				133

Note.—\$30 assessments column indicates number of mineral rights parcels assessed at \$30 upon which parcels no taxes at all are levied.

LAND NOT IN AGRICULTURAL PRESERVES

Number of parcels	1970			Comparative year			1970 percent difference
	Acres	Land assessment	Average per acre	Year	Land assessment	Average per acre	
876	152,464.04	\$8,759,180	\$57.45	1967	\$11,178,970	\$73.32	-29
83	10,005.60	773,150	77.27	1968	699,400	89.90	+21
72	10,788.78	950,210	88.07	1969	946,740	87.75	-3

LAND IN AGRICULTURAL PRESERVES

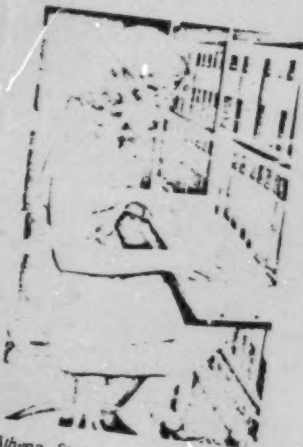
387	103,860.61	9,006,990	86.72	1968	17,572,126	169.19	-49
120	27,234.86	1,483,990	54.49	1969	1,813,080	66.57	-24

Note.—Percent difference column indicates difference for combined land and mineral rights values.

Landowners Get Tax Breaks

Homeowners and businesses have for years been assessed very high by assessors in California. Landowners, on the other hand, have been assessed very low. This report shows how the assessor in San Diego County was underappraising 59 land parcels of the Ed Fletcher Co. by \$2,000,000, permitting them to pay less than half the taxes due on property worth \$3,947,680.

In Kern County, the assessor reduced assessments for TENNECO, formerly KERN LAND COUNTY, during two consecutive years on land placed in Agricultural Preserves, (most unusual). On 876 parcels consisting of 152,464 acres held since the Tenneco takeover in 1967, which was not placed in the Agricultural Preserve, land and mineral rights assessments were reduced 29% by 1970. During this same period of time, land assessments by county assessors increased 30% statewide and 4% in Kern County.



Athena Stowers, copying assessments from assessor's Master Property Records for Homeowner survey.

by John Nagy

The woes that homeowners have regarding taxes in the state of California certainly do not apply to everybody. It seems that a concentrated effort is being made to reduce the taxes being paid by landowners and slum owners at the expense of homeowners and business.

PROPERTY TAX RELIEF

The most misused term in the whole plot is "PROPERTY TAX RELIEF". Two years ago when homeowners were given a \$750 exemption on their homes and businessmen were given 15% exemption on their inventories, state taxes were increased so that the local taxing agencies would

not lose the revenues due to the exemptions.

The increase in state taxes to offset the so-called property tax relief was in the case of most homeowners more than the relief by the exemption. So, we have a situation where the "cure" is worse than the sickness. Not only were we offsetting state taxes higher than the taxes offset, but a year later we found that homeowners were not paying any less property taxes either, so, the net effect of the so-called "homeowners property tax relief program" was that the homeowner is paying increased state taxes and increased property taxes as well, as a result of the \$750 homeowner's exemption, or the so called

"Property Tax Relief."

WHAT'S BEHIND SO-CALLED "PROPERTY TAX RELIEF"

THE POLITICIANS POINT OF VIEW:

The property tax is the tax which is closest to the people. The property tax is the ONLY one which the voters are conscious of three times a year; (1) when they get the bill, (2) when they pay the first half, and (3) when they pay the second half; or 12 times a year if making house payments. They are aware also of the increases from year to year. They remember the increases when bonds are voted upon and when officials run for re-election.

To the politician, the worst possible thing that can happen during his term in office is to have a drastic increase in the property tax rate. So, to avoid the disaster of having a drastic increase in the property tax rate he calls for aid to cities by the state and federal governments.

These politicians know the state and federal governments don't get manna from heaven, and they know that the money will still be squeezed from the people who pay property taxes. The important issue for them is that they won't have to increase that property tax rate if the funds are first collected at the state and federal level, and then returned to the local level later in some form of aid to local communities. They prefer that route, even though they know that it also means controlled funds when it is returned and that less is returned than was taken. Those bad effects are willingly accepted just so they don't have to face their constituency after having increased property tax rates.

LAND AND SLUM OWNERS POINT OF VIEW:

To encourage, aid and abet the politician in his point of view are the land owners and slum owners. These people are usually referred to as the establishment. They are the cream of every

community. Schools, streets, hospitals, parks and many other public places are named after these important people, usually because of their civic or other charitable work for the community. They also have large land holdings and make large political campaign contributions to one or both of two major political parties. Not only do they have large land holdings but they usually own most of the slums in our core areas. (This fact is generally unknown due to the unpopularity of such holdings. These holdings are usually held in trust for them by banks and other trust companies.)

These land owners and slum owners naturally want to pay as little as possible in property taxes, or any other taxes. They usually have acquired the expertise of avoiding income taxes and also want to avoid their fair share of the property tax.

For years that problem was nicely taken care of by arranging for low assessments. Due to laws passed in California, and to the probing into assessments by homeowners, land and slums are beginning to feel the pressure of property taxes which homeowners and business have felt for many years. Since assessors can no longer ignore the true market value of these holdings, the only solution is to shift the support of local government to "other taxes". They, like the politician, are willing to do that at any cost. They are willing to see local control over government and schools go out the window, JUST SO THEIR CRONIES CAN AVOID PAYING THEIR FAIR SHARE OF THE TAXES.

Traditionally, in California and in the rest of this country, local property taxes have supported local government. This policy has by and large kept out state and federal control. The only area where local control has given way to state and federal control is in the areas where those higher levels of government have supported programs administered by local communities. For example, because the federal government is the major source of revenue for welfare programs, states and local communities have no say about

who can and cannot get welfare in their state or in their country. Mind you, those funds which the federal government "gives" to states and counties have been received from those very same communities by the federal government, only to be handed back with controls. State funds to the local communities are in that same category. They (state and federal governments) have only one source of funds, us, (local communities). Income taxes, excise taxes, sales taxes, gasoline taxes, corporation taxes, bank taxes, insurance taxes, estate taxes and all other taxes, (even tariffs) are paid by people, business and corporations in all of the local communities of these United States.

WHO PAYS WHICH TAXES?

So, what's with this business about the federal government and state having sources of revenue that the local communities do not have? LOCAL COMMUNITIES are their sources of revenue. The real issue is "who pays what taxes"? The bulk of the state taxes are from income, sales and gasoline. The bulk of the federal revenues are from income, and excise taxes. Neither the federal government nor the state of California taxes real property. Homeowners, businessmen and farmers all pay their fair share of state and federal taxes. Very few land speculators and slum owners pay income taxes. By and large, the very purpose of most land syndications being formed today is to use them as a tax shelter against paying income taxes by those in the high income brackets. Other taxes collected by the state and the federal government such as sales, excise, and gasoline aren't any heavier against land speculators and slum owners than they are against a homeowner, renter, or businessman. Therefore, these people (land speculators and slumlords) and politicians who mimic their tunes go along with the theme for "PROPERTY TAX RELIEF", and "THE STATE SHOULD PAY FOR EDUCATION" and "THE FEDERAL GOVERNMENT SHOULD PAY FOR ALL WELFARE COSTS", and "LOCAL PROPERTY TAXES SHOULD ONLY PAY FOR PROPERTY RELATED SERVICES."

MEANWHILE, BACK AT THE RANCH

While the land speculators are waiting for education to be supported by state taxes, and welfare to be supported by the federal government, what are they doing to avoid paying their fair share of the taxes?

As mentioned earlier, in years past the best way for land speculators and slum owners to avoid paying their fair share of the taxes was through low assessments on vacant land and slums. Since 1933 the state constitution has required that all property be assessed at full cash value or market value, one being synonymous with the other. However, assessors have held that fractional assessments were all right if all classes of properties were assessed at the same ratio of their market value. In actual practice, however, much vacant land and slums were assessed at 1% and even below 1% of their fair market value, while homeowners were generally assessed between 20% and 25% of their market values and businesses were assessed at anywhere from 40% to 200% and even higher on their personal property except for cash on hand which was usually assessed at 25%. From this wide range of ratios they managed to maintain a county-wide average of between 20% and 25%.

BUSINESSMEN PAY OFF

As a result of the tremendously heavy burden on business, many firms hired tax consultants to get them a fair shake from the assessor. This was a golden opportunity to some assessors who then agreed to assess the firms represented by consultants at or near the county-wide ratio. This provided savings to the client, a fee for the consultant and some residue for the assessor. This all came to a screeching halt in 1965 with the assessment scandal which ended with ten assessors and one assistant going to jail and one assessor committing suicide.

As a result of that scandal AB 30 was passed which put teeth into some of the laws already on the books and created new laws governing assessors. One of the new requirements was to assess all classes of property uniformly at 25% of its

market value, beginning in 1971. Furthermore, for the five years prior they must state and have posted whatever ratio they were using from year to year. Most assessors started using 25% from the very beginning, since their county-wide averages were near that figure anyway. However, the stated ratios do not by any means give the true picture for land assessments by many assessors.

SAN DIEGO COUNTY

In San Diego County, for example, where the stated ratio has been 25% ever since stated ratios have been required, vacant land still is not assessed at the stated ratio.

The Torrey Pines addition, which the owners agreed to sell for \$1,800,000 a couple of years ago was assessed at only \$179,708. That assessment would indicate a market value of \$718,832, or more than \$1 million less than the true market value. This year the assessments have gone up slightly, but not to 25% of the true market value. The whole deal has been shady from the beginning. The attorney involved with the sale would not give this writer any information on the property involved. That's strange, since one half of the \$1,800,000 was to be state funds, and one half from citizen contributions. It would seem that when state funds and citizen contributions were involved the information would be public information.

In July of 1970, almost one half of the acreage (73 plus acres) was purchased by the state for \$770,000 from the Ed Fletcher Co. That left \$1,030,000 of the stated sale price for the remainder of the acreage still to be negotiated. In October, 1970 the federal Bureau of Outdoor Recreation announced the awarding of a \$459,510 grant to sweeten the pot so to speak which now brings the price up to \$2,259,510 for land which the assessor said was worth \$718,832 by having an assessment of \$179,708 at the time negotiations started. Instead of a 25% assessment, as most homeowners have, the Torrey Pines land owners were enjoying an assessment of less

than 8%. How would you like to be paying one third of the taxes you now pay?

THE ED FLETCHER CO. SELLS LAND HOLDINGS IN S. D. COUNTY

When the Ed Fletcher Co. sold its land holdings to National Pacific Development Co. more than 350 parcels were involved. Statewide Homeowners made a survey of the March 1, 1969 assessments against the Ed Fletcher Co. and compared them with the March 1, 1970 assessments against the same property now owned by the new owners. Most of the assessments remained exactly the same, but, on the 59 parcels which did show a change, the assessments increased 110%, from \$469,360 to \$986,910.

That assessment boost should indicate that the market value of \$1,877,140 on March 1, 1969 increased to \$3,947,680 by March 1, 1970. Something is strange about that 110% increase, since all of the secured land in the county assessed by the assessor only increased 13%. The only explanation possible is that the Ed Fletcher Co. was avoiding taxes on more than \$2,000,000 worth of property due to underassessments.

Statewide Homeowners do not think the Ed Fletcher Co. was getting favored treatment. At least no more favored than other large land holdings.

LAND CONSERVATION ACT OF 1965

In 1965 the Legislature passed the LAND CONSERVATION ACT (Williamson Act). The Act was supposed to make it possible for farmers to pay property taxes on prime agricultural land based on farmland values, instead of inflated speculation values.

The Act has some good features, since it is desirable and beneficial to California to save the farmlands from the land speculators. Unfortunately, the program, like all other controlled privileges, became abused. Because of the tax advantage, it could increase the selling price of farmland instead of decrease it.

KERN COUNTY LAND CO.

In a survey by State Senator George E. Danielson, the Kern County assessor's office reported that as of October 5, 1970, 1,127,563 acres of land were under the Act. Only 464,103 acres were considered to be prime agricultural acres.

The Tejon Land Co., with 200,000 acres in the preserve, has the largest number of acres so designated in the county, none of which are considered to be prime acres.

Kern County Land Co. is second, with 138,143 acres according to the report. Most of these acres are considered prime by the assessor's office.

Because of a statement made in 1967 by Kern County Land Co., Statewide Homeowners decided to make a survey. The statement was by the president Dwight M. Cochran, and chairman of the board Geo. G. Montgomery. The Company ran an advertisement in the Wall Street Journal on May 24, 1967, in response to an attempted takeover of the Co. by Occidental Petroleum Corp., in which they said that Occidental fully appreciates the fact that their 1.8 million acres of land is carried on their books at a fraction of its market value, and that no discovery value is assigned the oil reserves underlying their California lands.

The Co. also stated that since Occidental's interest was brought to light, other companies have offered to discuss merger with Kern County Land that could result in a TAX FREE exchange of stock rather than the taxable Occidental offer.

TENNECO TAKES OVER KERN LAND

Sure enough, later that year TENNECO took over Kern Land. Homeowner's survey of Kern Land, Tenneco and Tenneco Farmland Co. takes in the secured rolls of March 1, 1970, 1969, 1968 and 1967 which were the assessments when Tenneco took over.

In those 4 years county assessments for the

secured roll statewide, increased 20% on total assessments and 30% on land assessments. In contrast to the statewide increases, according to the Kern County assessor, total assessments in Kern County only increased 1% and land only increased 4%.

By adding the \$277,121,862 decrease in assessments due to land preserves to the total statewide increase for secured roll county assessments, the increase would be 21% instead of 20% statewide. By adding the same \$277,121,862 to the increase in land the statewide land values would have increased 32% instead of 30%.

In Kern County, even by adding the \$36,022,760 decrease due to land preserves to the total increase, it would only have increased the total figure to 9% from 4%. The land figures in Kern would show an increase of 8% instead of 1%.

In other words, even allowing for the tremendous amount of land put into land preserves, Kern County is not keeping abreast of the assessments on land shown by the statewide trend.

SURVEY DIVIDES LAND INTO TWO GROUPS

Land holdings of Tenneco was divided into two groups. Group I was the land held since 1967 which was not put into land preserves. This is the group which increased 8% county-wide.

The Tenneco holdings on 876 parcels which remained in existence through the four years and amounted to 152,464.04 acres went down from an average assessment per acre of \$73.32 to \$57.45 per acre, or a reduction of 22%. On 83 parcels created in 1968 which were still in existence on the 1970 roll and amounting to only 10,005.60 acres, the assessment increased from \$49.90 per acre in 1968 to \$77.27 per acre in 1970, or an increase of 11%. On 72 parcels created in 1969 and consisting of 10,788.78 acres, the assessment per acre went from \$87.75 in 1969 to \$88.07 per acre in 1970, or an increase of less than 1%.

LAND PRESERVES

In 1970, 387 of the parcels which were put into the land preserves were still on the rolls and consisted of 103,860.61 acres. In 1968 these 387 parcels were assessed at an average of \$169.19 per acre, when they first appeared on the roll as being in the preserve they averaged \$104.94 per acre, a healthy drop of 38%. In 1970, these same 387 parcels were reduced again to an average assessment of \$86.72 per acre, which increased the reduction to a whopping 49%. I'm not familiar with the Act or law used by the assessor in giving a further reduction for land in the farm preserves.

Tenneco added 120 parcels to their preserves in 1970, accounting for 27,234.86 acres. These 120 parcels averaged an assessment of \$66.57 per acre in 1968 and were reduced to \$54.49 per acre in 1970.

MINERAL RIGHTS

The big reductions above in the acreage values is only the beginning of the tax reductions for TENNECO. On the 876 parcels (mentioned above) upon which the assessments dropped from an average of \$73.32 per acre to \$57.45 per acre, the mineral rights assessments (on the 152,464.04 acres) dropped from \$27,110,770 in 1967 to \$18,324,477 in 1970. The mineral rights values went up on the 83 parcels created in 1968 from \$3,486,270 to \$4,497,480. On the 72 parcels created in 1969, the mineral rights dropped from \$59,350 to \$29,780. The assessor went so far as to reduce the mineral rights under the land preserves too. The 103,860.61 acres which went into the land preserves in 1969 had mineral rights assessments of \$165,030 in 1968 before going into the preserves and dropped to \$115,090 by 1970. The land which went into the preserves in 1970 had mineral rights assessments of \$723,470 in 1969 and dropped to \$440,310 in 1970.

PARCELS WITHOUT LAND (MINERAL RIGHTS)

Of the parcels on which Kern County Land Co. held mineral rights in 1967 when TENNECO took over, 712 were still on the rolls in 1970.

The mineral rights assessments dropped from \$7,816,898 in 1967 to \$6,960,020 in 1970, a reduction in assessments of \$856,878. Of the 20 mineral rights parcels added to their holdings in 1968, the assessments increased by \$6,240 from \$136,770 in 1968 to \$143,010 in 1970. There were 70 MR parcels added to their holdings in 1969 with assessments of \$432,690 which were reduced by \$75,000 to \$357,690 in 1970.

There are 1,022 MR parcels on the 1970 assessment rolls for TENNECO. Of these, 40% were assessed at \$30 on which no taxes at all were paid. When this writer asked a clerk in the assessor's office about the \$30 assessments which paid no taxes, she said it was a new law. When the assessor was asked about the "new law", he said it was a decision based upon a court case which is pending, and that he has decided to tax them again. It seems that it was a policy decision to exempt 40% \$30 assessments, or \$12,210 of TENNECO assessments.

It is true that it is small potatoes compared to the juggling of assessments as is evidenced by the rest of the report. The underlying question is, "When a politician talks about Property Tax Relief in Kern County, is he thinking of the homeowner, businessman, small farmer or TENNECO?"

SUMMARY

The people of California do not need PROPERTY TAX RELIEF, they need TOTAL TAX RELIEF. LESS, not more aid should be demanded from state and federal governments, along with LESS controls.

If local agencies want more money, make them look their constituents in the eye and ask them for it. NOT pass the buck to the state or federal governments.

Local property taxes could be reduced on homeowners, businessmen and farmers without increasing state or federal taxes, if land speculators and slumlords were required to pay their fair share.

END

The Great Tax Fraud

By, Martin A. Larson

This book review should open your eyes to the inequities of this country's ridiculous Federal Income Tax Law. (Most state income tax laws conform to the federal policies.)

Do you know that the middle classes of taxpayers - those earning \$3,000 to \$25,000 annually - pay about 85% of the total amount yielded by this tax, and that many individuals and corporations making millions of dollars never pay a penny of federal income tax?

Read this review, then read the book, and you will be a wiser citizen.

Reviewed by Lloyd Maxwell

This book deals mainly with the national income tax. It presents an analysis of the Internal Revenue Code, the federal government's exploitation of the masses, and points out a readily available remedy for the tax inequities. The author's extensive research in the subject of tax inequities and loopholes in the Revenue Code testifies to his competence to write this treatise, and practically every damaging fact or statement in his book is well documented as to source of information. Although the California Homeowner magazine normally is concerned solely with local, as distinguished from national, taxation, we believe Larson's book should be widely read by the voting public. Even though it may be possible eventually for a state, California for instance, to precede the federal government in developing a commendable taxation structure, we would be

happy in the meantime to see the national government correct its inequitable income tax and reduce its 1040 reporting form to two pages instead of continuing with eight or more pages as at present.

The author launches into his chaotic subject as follows: "Congressman Wright V. Patman has declared that one third of personal American income pays the entire personal federal income tax. Senator Russell B. Long of Louisiana has stated that \$100,000,000,000 of personal income is not reported on federal returns at all. And Congressman (now Senator) Richard Ottinger has concluded "that legal loopholes cost the U.S. Treasury more than \$40 billion annually." From this beginning, the author puts his finger on numerous injustices and escape clauses in the fed-

DO YOU KNOW

That nearly 100,000 federal employees receive salaries and fringe benefits exceeding \$20,000 a year?

That the federal government spends \$16 billion a year on so-called research projects concerning which almost no one knows anything?

That 30% of all workers lose all their Social Security contributions because they die? And that if they had their own private trust funds, they could retire at 65 with a monthly income for life of \$650, and never touch the principal at all, and leave about \$175,000 to their heirs?

That the fiscal policies of our federal government are inevitably reducing the great majority of useful Americans to virtual slavery and pauperism?

Author's questions

eral tax laws and regulations, ranging from tax exemptions and methods of tax avoidance for and by the public to needless and unjustified expenditure by an overwhelming bureaucracy.

As an eyeopener, take notice of a congressional committee chairman's declaration that 5,000,000 illegitimate children are being supported by various public agencies at a cost approaching \$5 billion a year. The 1969 federal budget stated "that anyone with an income of less than \$3,335 a year is living below the poverty line, and should therefore, be eligible to receive alms from the government. However.... a married businessman (say one who operates his own shoe-shine stand) who earns \$2,000 must pay \$186 for Social Security and an additional \$225 for income taxes." Such a man thus has his take-home pay reduced to \$2,589 and his income helps in supporting the family with income up to \$3,335 but rated below the poverty line. The author infers that if federal funds were administered

wisely and efficiently, they could be reduced by half. Obviously, the book was written too soon to mention the 1969-70 efforts of officials in Washington to control inflation and balance the budget, but which started out by doubling the salary of the President and greatly increasing salaries of congressmen, judges and other public officials.

The book is so full of goldnuggets that only a few of them can be noticed in this brief review, but here are some which should arouse an intelligent citizenry to action:

"Discrimination is so glaring in the federal revenue tax law that it cannot be denied or concealed. Secretary of the Treasury Douglas Dillon conceded in 1958 that it is riddled with loopholes; he admitted that the effective rate for all who had incomes ranging from \$1 million to \$5 million was only 24%. Fourteen taxpayers, several with incomes of more than \$20 million during a three year period and one with \$50 million, paid nothing, and avoided taxes of \$15.7 million by giving property that had appreciated up to 3300% to charitable foundations, most of which they themselves controlled. Meanwhile, the wage-earner making \$100 a week, with a wife and two children, paid a tax of \$185.

"Occasionally, a John the Baptist rises in the halls of Congress to condemn these iniquities. What is needed, however, since our representatives in Washington must think of their political tenure, is an avalanche of protest from the victimized majority; until they proclaim their wrath, we can expect little in the way of justice or tax equity.

"Rare, therefore, is such a man as Congressman Richard A. Ottinger of New York, who introduced several bills to correct the glaring inequities in our federal income tax law; one of these would increase exemptions from \$600 to \$1,200; another would reduce depletion allowances to 7½%, and so increase Treasury revenue by \$3 billion. He observed, further, that the one-third of our taxpayers who are in the middle-income

brackets pay two-thirds of the nation's taxes, which fall most heavily on those making from \$10 to \$15,000.... He declared, further, that in 1966 there were 50 incomes exceeding \$1 million which paid no tax; and that in 1964, 455 incomes exceeding \$100,000 were similarly exempt."

A Senator who has gone on record with trenchant criticism of the existing situation is Russell B. Long of Louisiana, Chairman of the Senate Committee on Finance. "He observed that those who have the desire, the time, the energy, the money and the expert advice can arrange things in such a way as to earn millions each year and pay not one dime of Federal Income Tax. He added that some \$100,000,000,000 of personal income banked last year probably will not be reported on federal tax returns.... One Treasury Department study showed that 26% of the taxpayers with adjusted gross income of \$5,000,000 each paid no income tax at all.

"There are, he continued, hundreds of bridges over the tax river which lead to legal tax avoidance, but it takes an expert to make use of these.... Plutocrats are constantly exerting pressure aimed principally at persuading Congress to open up new loopholes for these taxpayers to wiggle through. Instead of producing an equitable law, concludes the Senator, Congress in trying to promote justice for all, has produced a massive jungle in which King Confusion reigns.

"One of the revisions which the Senator advocates is a simplification of the Code; if we were, for example to substitute a single 10% allowance for everyone instead of the present complicated system of itemized deductions, a great many could prepare their returns in 15 minutes and the number of the IRS employees could be cut in half."

The time has been when compassion was justified for the rich who had to pay 91% of their earnings as federal income tax, and even the present 77% is oppressive for those who actually pay that hefty proportion. But the gripe is against the enormous and ever growing number of citizens

who resort to legal methods of tax avoidance. In reality the fault is with the law rather than with those who avoid it. Lawson says the culprits are "the great and respectable, the powerful and the privileged; the lords of life who grow rich by legal loopholes; who buy the services of Congressmen so that they will plant escape hatches for them in the Code; and who spend vast sums to influence all media of communication to twist and obscure the truth concerning the federal income tax."

Among the "Techniques of Avoidance," Lawson lists and discusses nearly a dozen. First come the foundations, many of which are highly commendable but many of the newer ones constitute one of the more common means of tax-avoidance used by corporations, multi-millionaires, and now by thousands of enterprising individuals in the middle income ranges, not only to avoid estate levies, but also to escape taxation on current revenues.

Many advantages may accrue to a family or an individual taxpayer establishing a foundation: (1) it enables the donor to continue in control of his wealth; (2) permits him to designate its management, appoint relatives, friends, or employees as directors; (3) allows him to borrow venture capital from it on attractive terms; (4) preserves his control over the fortune in perpetuity; (5) aids employees of the donor's business; and (6) helps him in escaping all or much of his income taxes, particularly by contributing appreciated property, works of art, frozen assets, or white-elephant estates which may be conveyed with full deductibility at high valuations....

"Sheldon Cohen, IRS Commissioner, stated that 20,000 new tax-exempts are certified annually, and that there were 1,500,000 such entities in the United States...." Other officials have expressed doubt as to the exact number, however, and the author indicates that the IRS really does not have a record of the exact number.

"Most prevalent by far... are the family foundations, large and small, which exist as par-

all business entities. For example on p. 154 of the 1964 Cumulative List, we find nine Glazer and seven Glickman foundations; on p. 209, there are 34 under the name of Kaplan. There are 22 Kennedy foundations. All, of course, were organized as non-profit entities, with a declared educational objective. Although each is operated by the individual who created it, or his heirs, any item of property he contributes to it is deductible under Sec. 170 (c) and 642 (c) of the Code. By carefully allocating his gifts, the millionaire can eliminate a large portion or even all of his personal income taxes year after year, and such giving can actually save him huge sums of money."

It is stated on page 113 that "there is scarcely a wealthy family or significant corporation in the country without its own private foundation.... Disneyland is owned by the Walt Disney Foundation, and Frank Lloyd Wright's Taliesin East and West are private foundations.... The IRS granted tax-exemption to the Playboy Foundation, and one of its grants is "\$50,000 to the University of Indiana to continue the sex-studies launched by Dr. Kinsey."

An astounding development in tax avoidance, referred to on pages 114-15, is the following: "An old adage has it that when better locks are invented, clever thieves find ways to pick them, and we might add that new taxes cause resourceful individuals to develop novel means of evasion or avoidance. We should not, therefore, be surprised that an organization calling itself Americans Building Constitutionally, with headquarters at Barrington, Illinois, is now offering to launch doctors, architects, engineers, etc., upon the private paths of tax-immunity. This was said in 1967 already to have 800 members or clients scattered over the 50 states. More are being recruited by vigorous and persuasive salesmanship, and all these are taught the secrets of foundation-living at the institute.

"According to an article in The New York Times, ABC recruits members by word of mouth. Prospects get invited to an introductory meeting. A ... representative spends three to four hours explaining the plan. If the prospect decides to

join, he makes an initial payment of \$1,050. This pays for 30 hours of instruction in how to use the complex legal web of foundations and trusts that ABC can create for him After instruction, the new member has the option of paying \$4,200 more to have a non-profit foundation created for his benefit, or paying \$9,450 more for the entire ABC package."

It is revealed in a footnote that the package fee was increased to \$10,500 on May 1, 1967, and the text states that "Of this \$10,500, \$3,500 goes in the form of an endowment to Barrington Institute ... \$3,500 for ABC ... and \$3,500 is ... set aside as a legal defense fund. There are also additional attractions. If one member can convince another individual to join, his foundation receives a \$2,000 endowment....

"Once the new member has been initiated into the mysteries of tax-avoidance he establishes a trust of his own, organized for a 'beneficial purpose,' which whereupon creates a non-profit corporation. The 'client' then signs a contract with the latter, providing that it sell his 'services ... as doctor, lawyer, engineer, or whatever.'

"A typical ABC member, a general medical practitioner, took a position as 'medical administrator' of his own non-profit foundation, organized ostensibly to carry on research in the field of 'health, education and welfare.' He gave this foundation some real estate, a car, and other property, which thus became deductible contributions to charity, and also exempt from local taxation; he continued to treat his former patients at the same fees in the same offices and in the same manner as before. However, since the income now accrues to the foundation, this is immune to taxation. His wife is 'the assistant medical administrator.' The two receive salaries so small that they are virtually tax-exempt, but they stand in need of very little compensation in taxable form, since the foundation provides food, housing, clothing, furniture, transportation, utilities, and practically all other necessities as exempt expenses.

"Since the foundation is organized to promote education and research, it donates tax-free grants to the four children of the couple to finance their university careers.

"Representative Patman is 'deeply concerned' unless something drastic is done, he foresees a situation in which tax-exempt foundations will be ... as commonplace ... as bathtub distilleries ... during Prohibition..." And he reports in an official document, "Once again, because the Treasury has refused to assume its proper responsibilities in supervising and regulating tax-exempt foundations, another major move toward the undermining of our tax-structure must be noted. Tax-dodging ... on a scale hardly imaginable ... is now being forcefully promoted... This ... is now an industry, for which the participants are prepared through a special kind of higher education with its own curriculum, its own diploma -- the latter being an IRS- approved foundation certificate."

"In addition to tax-avoidance by foundations, the author discusses the troublesome subject in chapters dealing with:

Churches and Charities: Their Wealth and Business
Pension and Welfare Funds
Tax-Exempts in Competition
Depletion Allowances
Gambling Our Paradise for Criminals
The Exempt Securities
The Wizardry of Capital Gains
Profits from bequests and Gifts
and
How the Elite Escape Taxation

Finally, in Part Three, beginning on page 273, the author explains what he calls the failure of Social Security, points out a number of remedies, and concludes his treatise with a short chapter on Vistas and Visions in which he says: "The theme of this book is simple and direct: (1) to plug the loopholes and end the inequities in the federal income tax; and thus (2) make it possible (a) to raise the individual exemptions

from \$600 to levels at which any income necessary to maintain a decent, contemporary living standard will be immune to such taxation; (b) to reduce the present estate and income taxes to reasonable percentages, but apply them universally; and (c) to provide the Treasury with income sufficient not only to meet all current necessities but also to make substantial reductions in the national debt."

The author would tie the level of individual exemptions to the cost-of-living index, just as is done in other current situations and would provide:

- (1) An exemption of \$8,000 for incomes of single persons.
- (2) An exemption of \$10,000 for the head of a household, an additional \$1,000 for each dependent child, but with a \$15,000 limitation for total family income.
- (3) Any contribution to Social Security or to a retirement fund or trust not to be classified as income.
- (4) All other deductions (except those necessary in trade or business); and all other exclusions, allowances and exemptions now in the Internal Revenue Code to be abolished.
- (5) All capital gains (except gains from the sale of depreciable property used in trade or business-- which should be left as now-- to be treated as earned or ordinary income.
- (6) The following rate-schedules to be established:
 - (a) 20% on taxable portions of income below \$15,000;
 - (a) 25% on taxable income between \$15,000 and \$50,000;
 - (c) 50% on incomes exceeding \$50,000.

Additional details are added to round out the proposed legislation, but there is not room for them there. Everyone should read the book because it merits major consideration. END

TUMBLING U.S. BIRTH RATE SURPRISES DEMOGRAPHERS

(By Max Lerner)

New York—The turnabout in birth figures in the United States may loom even larger in the history books than the turnabout in China policy. The striking thing about it is that most of it was done before rather than after the government moved in with larger appropriations for family planning.

In the end, it is only the people themselves, not the authorities, who can do much to bring about population shifts. Governments can facilitate, bribe, subsidize either conception or contraception, and make technologies available; churches can exhort, ban. But in the privacy of wherever they bed down, it is only the man-woman pair-bond that decides what the figures will be. The dramatic exception is the recent case of Japan where a deliberate government policy, broadly planned, skillfully executed, was followed by a drastic drop in the birth rate. But the government's plans was geared to a whole complex of Japanese traditions, institutions and character traits. A similar drive would have much harder going in India, Brazil, Egypt, Bangladesh—and indeed in the United States.

The turnabout came in America because the people willed it, at every level, from Park Ave. and the Detroit suburbs to the slums, from the rich girls on college campuses to the black poor. The birth rate has dropped steeply, the marriage age is higher, the expectation of family size has dropped dramatically, the young are not nearly as large a percentage of the total population as all the earlier ballyhoo had said they would be, abortions are flooding New York and other centers and vasectomies on demand have bounded sharply upward.

Since we have been deluged with figures I shall cite only three. 1—On children expectations: Among younger women in 1965 it was for 3.2 children, in 1967 it was for 2.9 and in 1971 for 2.4 children. We could call it the revolution of declining expectations. 2—On birth among the poor: The traditional gap between the lower birth rates among the affluent and the high birth rates among the poor is narrowing rapidly. The rate dropped twice as fast among poor women (less than \$5,000 income), and especially the black poor. Evidently the latter don't believe that family planning is a conspiracy of middle-class whites. 3—On male vasectomies: There were 200,000 in 1960 and 700,000 in 1970 and the 1971 figures are still higher. It has become (says Dr. Harold Lear, in a medical journal) a status symbol and there seems to be little thought about the psychological spinoffs.

It is not the first time in population history that the demographers have been caught awry. They have studied—and projected—past figures rather than studying present people. Here was everyone worrying about the mushrooming population in America, and crying havoc, when behold, the new census figures show the birth rate not mushrooming but dropping. If they had watched the attitudes on the campuses and in the ghettos, and talked with working mothers and young feminist students, they might not have been so surprised.

The causes? Not one but many, yet they can be grouped in three clusters: technology (the pill, loop, abortion, sterilization, have all been made available), ecology (the concern about the crowding and pollution of the environment and the exhaustion of resources under the pressure of numbers) and the changing attitudes, values and life-styles.

Technology, ecology and the revolution of life-styles. It is futile to say which part of the triad is dominant. My own guess is that the new attitudes about the environment and the new feelings of young women about making something of their lives are the most widely shared changes that mark the birth turnabout. There are passionate social movements behind both. They are part of the larger American revolution of the past 15 years. The fact is that while there has been a slowing down in other aspects of it, these particular aspects which will shape women's lives and the structure of the family are moving on.

American society is strikingly flexible if it has produced so major a change on its own, without government say-so and without sanctions (as in China), but out of its own changing beliefs about what comes first and what is secondary. We have not begun yet to measure its effects. With a 2.4 child expectation (a close approach to the Zero Population Growth figure of 2.1) the nuclear family should be tightened, not dissolved. Will fewer children be more cherished, or less? Does the new birth rate come from greater indifference to children

(which the ZPG group seems to be inciting) or from a greater valuation of self, which should mean better parents."

For the next installment of this exciting story be sure to wait for the mid-decade figures.

DIRECTORS VOTE TO HOLD MWD TAX RATE AT 17 CENTS

The Board of Directors of the Metropolitan Water District of Southern California at its August meeting voted to maintain the present property tax rate of 17 cents for each \$100 of assessed valuation for the 1970-71 fiscal year.

The District's budget this year amounts to \$193,624,000, compared to \$192,291,000 for 1969-70. The District will be spending approximately \$100 million this year on facilities to distribute Northern California water to its 26 member agencies. This expansion program will cost more than one billion dollars.

MWD has contracted with the State for ultimate delivery of 2,011,500 acre-feet of water annually—or nearly two billion gallons of water a day.

The District steadily reduced its tax rate from a high of 50 cents in 1945-46 to a low of 14 cents in 1962-63. The 14 cent rate was maintained until 1968-69 when it was increased to 16 cents. Last year the rate was raised to present 17 cents.

The certified assessed valuation of property within the District is \$26,121,649,022, compared with last year's tax base of \$24,367,549,228.

The first northern water is scheduled to arrive at Castaic Reservoir late next year. Facilities now under construction will be completed so that deliveries of this water can be made in Los Angeles and Ventura counties at that time.

The District extends into the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Juan and Ventura. It now distributes one billion gallons of Colorado River water a day and will be, by far, the major distributor of northern water in Southern California.

ASSESSED VALUATIONS, PERCENTAGE PARTICIPATION, AND VOTE ENTITLEMENT OF MEMBER PUBLIC AGENCIES OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

[As of Aug. 20, 1970]

	Assessed valuation		Vote entitlement
	Amount certified	Percent of total	
Anaheim.....	\$92,993,953	0.36	9
Beverly Hills.....	287,093,479	1.10	29
Burbank.....	327,967,875	1.26	33
Calleguas MWD.....	601,792,644	2.30	60
Central Basin MWD.....	2,863,708,948	10.96	286
Chino Basin MWD.....	537,137,025	2.06	54
Coastal MWD.....	601,676,448	2.30	60
Compton.....	98,546,179	.38	10
Eastern MWD.....	174,422,429	.67	17
Foothill MWD.....	193,087,474	.74	19
Fullerton.....	182,388,395	.70	18
Glendale.....	335,895,696	1.29	34
Las Virgenes MWD.....	121,093,490	.46	12
Long Beach.....	914,827,870	3.50	91
Los Angeles.....	7,172,374,305	27.46	717
MWD of Orange County.....	2,841,273,711	10.88	284
Pasadena.....	327,406,446	1.25	33
Pomona Valley MWD.....	537,389,200	2.06	54
San Diego County Water Authority.....	2,687,973,968	10.29	269
San Marino.....	64,463,680	.25	6
Santa Ana.....	181,421,992	.69	18
Santa Monica.....	309,344,987	1.18	31
Torrance.....	423,898,537	1.62	42
Upper San Gabriel Valley MWD.....	1,299,817,709	4.98	130
West Basin MWD.....	2,425,392,062	9.28	243
Western MWD of Riverside County.....	518,280,500	1.98	52
Total.....	26,121,649,022	100.00	2,611

9. *Obligation to Deliver Water Made Available.*—Project water made available to the District pursuant to Article 6(b) shall be delivered to the District by the State at the delivery structures established in accordance with Article

10. At any time or times the District may refuse to accept delivery of water made available to it: *Provided*, that the District shall remain obligated to make all payments required under this contract.

RESUME MY QUALIFICATIONS TO WRITE THE CALIFORNIA WATER STORY

1. I have read the following bibliography:

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"Water Supply for Southern California—Rationalization or Expansion?" Paper to thirty fifth annual Conference Western Economic Association 1960 by Jack Hirshleifer Professor of Economics U.C.L.A.

Metropolitan Water District Contract with the State of California. *Quiet Crisis*—Stewart Udall, Newspaper clippings, Memo League of Women Voters "Big Government and the Citizen," "Big Government and Conservation".

Status of the Hoover Report 1949-1953.

2. I have interviewed the following people on several occasions each:

1. Mr. Joseph Jensen, Chairman Board of Directors, Metropolitan Water District of Southern California

2. Mr. Howard Mills, Board of Directors MWD

3. Mr. William Warne, Director State Department of Water Resources

4. Mr. Abbott Goldberg, Deputy Director State Department, Water Resources

5. Mr. Carley Porter, Assembly Water Committee

6. Mr. Richard Richards, former State Senator Los Angeles County

7. Mr. Jesse Unruh, was Chairman of Ways and Means Committee

8. Mr. Harold Levering, was member of Assembly Water Committee

9. Mr. Vernon Kilpatrick, was a member of the Assembly Water Committee, member of the Legislature for 40 years.

10. Mr. Joseph Shell

11. Mr. Frank Lanterman

12. Dr. Paul Taylor, University of California Berkely

13. Mr. Walter Packard

14. Mr. J. B. Quinn, Master of the State Grange

15. Mr. Don Vial, AFL-CIO

16. Mr. George Ballis, Editor Valley Labor Citizen, Fresno

17. Dr. Jack Hirshleifer, Rand Corporation (Now at Stanford)

18. Dr. James C. De Haven, Rand Corporation

3. Graduate, Journalism Department, Literary College, University of Michigan, 1947.

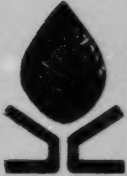
Journalism students at Michigan are required to have a background in political science and economics.

4. Member of the League of Women Voters, California Democratic party where some of the stimulating water debates occurred.

Senator STEVENSON. The hearings will now be recessed until 9 o'clock tomorrow morning, when we reconvene in the Federal Court-house in San Francisco.

At this point I order printed all statements of those who could not attend and other pertinent material submitted for the record.

(The material referred to follows:)



Bruce Church, Inc.

MAIN OFFICE: SALINAS, CALIFORNIA 93901 · P. O. BOX 598 · AREA CODE 408/ 424-4891

March 14, 1972

Senator Adlai E. Stevenson, III
Chairman
Senate Sub-Committee on Migratory
Labor
United States Senate
Washington, D.C. 20510

Dear Senator Stevenson:

Per your letter of March 2, 1972, I am sending you the enclosed statement to be included in the printed record of the proceedings of the Sub-Committee on Migratory Labor.

Best regards,

Burton Anderson
General Purchasing Agent

BA:des

Enclosure



Bruce Church, Inc.

MAIN OFFICE: SALINAS, CALIFORNIA 93901 • P. O. BOX 599 • AREA CODE 14081 424-4891

March 14, 1972

Statement To Be Included In The Record Of The
Sub-Committee Of Migratory Labor Of The
Senate Sub-Committee On Labor and Public Welfare

Gentlemen:

My name is Burton Anderson, I am General Purchasing Agent for Bruce Church, Inc., a California based agricultural corporation. I was raised on a ranch in the Salinas Valley and have had 23 years continuous service with Bruce Church, Inc., in farming and administrative positions.

Bruce Church, Inc. is a wholly owned family corporation engaged in the growing, packing and shipping of agricultural produce. The company farms approximately 20,000 acres in California and Arizona and grows the following crops: Lettuce, Celery, Cantaloupes, Broccoli, Spinach, Carrots, Tomatoes, Cotton, Alfalfa, and Feed Grains.

We employ about 175 permanent year-around people with the lowest salary in excess of \$8,000 per year. In addition we employ approximately 500 farm workers and teamsters in our harvesting operations. The harvesting operations are on a piece rate basis and the Lettuce workers are averaging in excess of \$5.00 per hour for 40 hours a week. These people are covered by Workmens Compensation Insurance and Health and Life Insurance.

Our investment in land, leashold improvements, machinery, buildings, and equipment is several millions of dollars. Our vendor list contains 1,224 firms and individuals in roughly 20 cities and towns in California and Arizona.

With the above background in mind, I would like to address myself to the issues facing the agricultural industry in the United States.



Bruce Church, Inc.

It has become popular to attack bigness, per se, in all segments of our economy. Perhaps, because of the trend of corporations into agriculture; recently, these corporations have become a particular target. There is no reason why corporations should be excluded from agriculture any more than any other business venture. The problem is that this trend has upset the traditional family farm thinking that dates back to our beginnings as a nation. The difference is the family farm is disappearing at a much later date in history than the family steel company or the family shoe factory. The reason these family entities disappear from the manufacturing scene is that with mass production machinery, the families' ability to manage increasing production and raise capital was stretched to the bursting point and there was no alternative but to incorporate or be left out of the market place. The result of the shift from small family owned factories to mass production corporations has contributed greatly to the high standard of living in the United States. We have fought and won 3 major wars and several minor ones since the beginning of the industrial revolution and raised the standard of living of our people from subsistence to affluency. All this would not have been possible without the corporate business structure. Therefore, to attack corporations in agriculture is to deny agriculture its rightful place in the 20th Century and to deny the consumer of plentiful food supplies at reasonable costs.

One of the goals of corporate agriculture has been to produce crops more efficiently than could the family farm. We have done this by restructuring our operations into more efficient units by specialization of employees. On the family farm one man, or at most a few, must have supervised all operations and it is humanly improbable that he can be expert in all facets of the business. Our specialists know their business and can accomplish a given task with a minimum of wasted time and effort.

One of the main concerns to the uninformed is the 1902 Reclamation Act more commonly known as the 160 acre law which limits ownership to 160 acres per person or corporation in a federally financed water project. At least one half of land in our nation doesn't even fall under the jurisdiction of the act, yet this is being advanced as one reason corporations are gaining in agriculture. The fact is, aside from the above, the 160 acre law is unrealistic in all but a few high value crops such as fruits and nuts. The average size farm in California that has been carved out over the years, through good times and bad, is 654 acres. This size is not an accident, the investment in land and equipment needed to make a living has dictated this size. To force an individual to make a living on 160 acres in some areas would be adding to the poverty rolls after much wasted effort and heartbreak. Bruce Church, Inc. with 175 permanent employees supports one family per 114



Bruce Church, Inc.

acres of farming land and if we include our total labor force we are supporting one family per 30 acres. This is five times more than one family per 160 acres.

The land grant colleges have been criticized for lack of socio-economic research and for involvement with big corporations. These colleges have enabled Americans to become the best housed, clothed, and fed people in the world. Our techniques in this field are in demand by the United Nations to develop underprivileged nations of the world. The argument that the colleges develop labor saving machinery and put people out of work is no more valid than saying man should not have invented the wheel because it put people out of work that were carrying loads. We must advance in technology to feed the ever increasing world populations.

There has been a lot of hysteria about pesticides and that Agribusiness is to blame. This is not the case, if research comes up with a better way to keep worms and insects out of our produce we will use it. Under present regulations of county, state and federal governments, we are unable to ship produce that contains more than a small percentage of worms and insects and so we are forced to control them or suffer the loss of the whole crop. The alternative to not using pesticides under present day technology is wormy produce, ruined crops, and possibly famine. Finally pesticide tolerances are determined by the best scientific information available and under the constant surveillance of the FDA. Agribusiness has been criticized for receiving subsidies and contributing to farm commodity surpluses. This is a thorny problem, but I believe the answer lies in a better distribution system throughout the world by all nations of the world. It is tragic that we have surpluses in some commodities when other nations are near the starvation level. The solution involves high level international politics, but until the problem is solved there will be surpluses and shortages.

There have been cries for land reform in rural America and they are tied into the arguments for breaking up Agribusiness corporations. I have covered the 160 acre law in a previous paragraph, however, there is a far more serious situation developing in rural America. This is the disappearance of prime farming land through subdivision and urbanization. The present property tax system, especially in California, practically guarantees that farm land will disappear at an ever increasing rate. For example, assume that there is a \$10/\$100 of valuation, tax rate, in a county. The market value of the farm land if \$15,000 an acre, that is available simply by selling to developers. The assessed valuation is 25% of market value which gives an assessed valuation of \$3,750 an acre. At the tax rate in the example, the taxes on this land are \$375 an acre. There is no way that agricultural income from these acres can support a tax bite such as this. If this trend isn't reversed such crops as Artichokes, Brussel Sprouts, Celery, Strawberries, Lettuce, and Broccoli could become rare or be much higher in price. The reason is that these crops require a mild coastal climate



Bruce Church, Inc.

and these are the areas of greatest urbanization.

There has been criticism of the tax loss and tax shelter features of the Internal Revenue Act as relates to Agriculture. The law was amended in 1969, I believe, to eliminate some of the abuses, however, there is one area that still needs correcting. That is the ability of non-farming corporations to write off agricultural losses against profits earned in other business ventures. This hurts agricultural entities enormously whether they be big or small. I am not advocating eliminating write offs for young trees and vines because it is essential to carry these crops through their unproductive years, but simply to disallow non-farmers and non-agricultural corporations to take advantage of this provision. Without the write offs it would be economically unfeasible to develop more acreage and this could lead to shortages in the face of ever growing world population.

In the past few years we have seen a drive to unionize farm workers and it hasn't been determined, by free elections, that farm workers want to unionize. Also, the efforts to unionize have raised some very serious questions as to the rights of the worker under a union contract. For example, the union hiring hall concept denies the worker free choice of his employer. Second, one union has the right to deny a worker a job if he is not in good standing with the union and that same union is the "sole" judge of good standing. This can lead to the union denying a worker a job if he refuses to join a boycott movement that could very well be in a city far from his home. For these reasons, I believe the union movement does not have the full support of farm workers.

In conclusion, I believe Agribusiness is a vital part of our economy and enables our nation to have all the food and fiber it requires at reasonable prices to the consumer. The alternative to progress in agriculture is a step backward into the 19th Century.

BURTON ANDERSON
BRUCE CHURCH, INC.
Salinas, California

TESTIMONY SUBMITTED TO THE U.S. SENATE SUBCOMMITTEE, ON MIGRATORY
LABOR, HEARINGS AT FRESNO, CALIF., JAN. 12, 1972, HON. ADLAI STEVENSON
III, CHAIRMAN

This year the property taxes on my home were increased 15%, while the large corporate land-holders in Fresno County had their property taxes reduced several million dollars. This sort of inequity is not just confined to Fresno County, but is typical of all the major agricultural areas of the state which have experienced the intrusion of large-scale corporate interests.

The presence of these powerful corporate interests in California is so pervasive that no area of the state's political and economic structure is left untouched. Because of this situation, any well-meaning legislation or governmental policy, such as the "open space" laws, are easily subverted, bent, or corrupted for the financial gain and political advantage of these corporations.

In neighboring Kings County, millions of dollars in federal welfare subsidies are paid to the wealthy land-owners each year and yet the Kings County Board of Supervisors refuse to allow the poor people in that County to receive food-stamps because it would cost the large land-owners a few extra dollars a year in property taxes.

The very size of these land-holdings and the concentration of wealth which they represent, set them above the law and outside the moral obligations that institutions traditionally have towards others in society. With the aid and complicity of local, state, and federal government, every conceivable kind of law has been ignored or set aside by these land-owners. The Federal Reclamation Law of 1902 states unequivocally that no water shall be delivered by the U.S. Government or its contractors to anyone in excess of 160 acres, and in order to receive that water he must reside on that land or in the immediate neighborhood. However, at the present time, absentee land-owners with tens of thousands of acres of land are being given water at an annual estimated cost to the taxpayer of \$2300. per acre in direct violation of the law. On the other hand, child-labor and smuggled aliens are used indiscriminately by these land-owners with no fear of prosecution by the local and state authorities. One of these offenders even has a uniformed Fresno County constable on his payroll to protect his operation and its' autonomy from local and state law.

Under these circumstances, traditional reform is impossible because of the intricate over-lapping and inter-involvement between these corporate interests and the various state, local and federal agencies that are supposed to be protecting the public interest.

Because of this lack of responsiveness to the needs of the people, I believe that it is absolutely imperative that the existing laws start being enforced, and that the ownership of land be limited to 160 acres per person so as to get the land back into the hands of the people as was the original intent of Congress. The Federal government should follow-through and buy this land back at uninflated pre-water prices and then make it available for homesteading under existing homestead laws. At the same time the oppressive property taxes must be repealed for the low and middle income homeowner, and the burden shifted onto those wealthy interests who presently pay little or no taxes whatsoever.

In finishing, I wish to point out the irony and inequity of an economic and legal structure which causes a corporate giant like Standard Oil to pay only 5% of its profits in taxes, after deducting every conceivable kind of business expense, while most individual taxpayers have a minimum of 25% taken right off the top of their paychecks before any expenses whatsoever are deducted. Then, in adding insult to injury, these taxpayers are forced to pay part of Standard Oil's water bill to illegally irrigate the 100,000 acres it owns in Fresno County. Then, as if this is not enough, these taxpayers are forced to chip in and help pay part of Standard Oil's property taxes too.

This situation cannot endure much longer.

Thank you,

ALEX BROWN,
Institute for Social Research & Law.

**AFFIDAVIT OF KEEN COUNTY LIBERATION MOVEMENT HEALTH COMMITTEE,
BAKERSFIELD, CALIF.**

The area of Kings County is 1,395 square miles and has a population of 66,300 as per census of 1965. The area of the county is 892,000 acres. Ninety-five percent of the land is privately-owned, with 506,528 acres in farms and 342,041 acres in other lands. The above indicators reveal that Kings County is a large agricultural area. One of the largest growers in the State controls Kings County. J. G. Boswell, who obtained 42 million dollars in subsidies from the Federal Government is the largest land owner in Kings County. Agricultural prosperity blossoms out for this grower-controlled county. For the farmworkers of this area it means poverty. An example of this is that 60 percent of the residents in this county are on Welfare. These residents are on welfare because there is no work available, which reflects the subsidies that growers receive. California growers are enriched and empowered not only by subsidized irrigation water—the world's largest welfare program some have claimed. The biggest growers J. G. Boswell and Salyer, who control Kings County, strengthen their control of our lives through political manipulation which brings them the tax-financed subsidies of soil conservation programs, marketing order, acreage allotments for crops, guaranteed prices, etc.

These government programs are administered entirely by local committees of farmers. The big growers control the committees which parcel out subsidies.

The size of some of these subsidies strain the imagination. The following growers rake in the subsidies (welfare) in Kings County:

J. G. Boswell.....	\$4, 500, 000
Salyer	1, 014, 860
South Lake Farms	1, 468, 696
West Lake Farms.....	622, 569
 Total subsidies.....	 7, 606, 025

The above is a sample of California farmer welfare recipients. A total of 84 farming operations in California received direct-price support payments of over 100,000 in 1966. This story has been repeated over and over. The Government made laws to limit subsidies, and the grower found the ways to continue to collect subsidies. The process was simple for them.

Another example of the kind of power that is controlled by the big growers is the Williamson Act that was recently passed in Kings County and at the same time the food stamp program was turned down. The Food Stamp Program in Kings County would have cost \$15,000 to be exact. At the same time the grower-controlled Board of Supervisors passed the Williamson Act which represented half a million dollar tax cut to the rich growers. Middle-income people become the victims of rising taxes and place the blame on the Welfare recipients.

No one realizes the huge tax gift that continually goes to the growers. The grower-controlled Board of Supervisors continues to divert public attention away from their own actions and make Food Stamp and Welfare the scapegoat for rising taxes. The large growers continue to manipulate Kings County.

The pity of all of this is that it took 1,500 farmworkers to camp in front of the courthouse for 21 days and nights just to force the Board of Supervisors to comply with the law. The Board of Supervisors were not in compliance with distributing commodities as per regulations. It took a court order and demonstration to bring the Board in compliance. The social workers organization of the Welfare Department in Kings County supported the poor of the county. It takes no imagination to see the outcome for the poor in this county.

Health problems in this county are beyond belief. The County hospital does not provide adequate services.

RURAL HOUSING

Rural housing is beyond belief in this, the 20th century. The rural poor live in cold, drafty, rundown shacks, that are swarming with cockroaches full of flies and steaming hot in the summer.

Migrant farm workers don't know what it is like, to have inside toilets, running water, hot or cold. They don't have heat in their houses. Bathtubs are the exception rather than the rule. Covering the rural areas of Armona, Santa Rosa Rancheria, Avenal, Lemoore, Stratford, Kettleman City, and Corcoran, there are high percentages of broken down houses that are unsafe and beyond repair.

Rural families who rent are *twice* as likely to occupy sub-standard housing as families who own their homes.

The families in the rural areas just cannot afford decent housing. Some animals live in better shelters than most of these families.

Title V of the Housing Act of 1949, makes and insures rural housing loans. Loans of up to \$1,500 may be made to homeowners who cannot afford all repairs needed to make their homes safe, but can afford to make enough repairs so that the house does not endanger their health and safety.

Provisions for senior citizens over 62 years of age are made by Farmers Home Administration. Rural housing loans are made only to the applicants who are unable to obtain credit from private lenders.

According to Bob Marshall from Self-Help Enterprises, in a recent article in the Fresno Bee, he indicated that decent housing is being built, but at a rate that would take 30 to 40 years for the rural poor to have decent housing in Kings County.

Farmers Home Administration is not reaching the majority of the people because the Federal Government does not give enough funds to make this possible.

URBAN HOUSING

Our present urban housing programs simply have not met the housing needs in Lemoore, Stratford, and Hanford. The families who are in the greatest need do not qualify for loans and grants under existing legislation.

The Department of Housing and Urban Development known as HUD administers housing programs for both Urban and Rural low-income families. Under HUD community renewal programs in communities less than 5,500 population may obtain funds for comprehensive planning for water and sewer development.

The Public Low Rent Program in Kings County is operated under the name of the Housing Authority of Kings County. The County Board of Supervisors appoints a commission consisting of five civic leaders who govern the Housing Authority. They in turn appoint a director to oversee the operation of the Corporation. The cost of operation is paid by the rent collected.

The Public Low Rent Program in Kings County consists of 150 units in Hanford and 100 units in the rural community of Corcoran. Again this is a total of 255 units. But the 1966 Self-Help Enterprises reported a percentage of 35 to 40% substandard dwellings.

The relatively new programs in Hanford, Corcoran, and Armona with a total of 265 cannot begin to fill the gap.

Even though the Supreme Court upheld the Civil Rights Act of 1966, which grants to all citizens the same rights to real and personal property available to White Americans, still the practice of these different housing projects is de facto segregation as the location tends to follow the ethnic trends of the established community.

EMPLOYMENT

It is very hard for the low income to get jobs in Kings County. Why? Because there is not enough industry or manufacturing outlets in Kings county and machines have taken over the farm labor. There are only 12 manufacturing plants in Kings County that employ 1,285 people in the Hanford area. The Lemoore Naval Air Station employ 8,650. The other non-manufacturing companies employ 190 people. Most of these jobs poor people do not qualify because of lack of education.

Yet there are 112 acres in the city limits zoned for light/heavy industry. With this in mind, we the poor want industry with training programs so that we can work.

We can enter training programs from now until the end of the world under Department of Labor, Welfare Department, or public schools. What we are asking is for a sincere effort from the county agencies to work with State, Federal and elected Representatives such as Congressman Talcott, Senator Cranston, Senator Murphy, and State Senator Stiern to bring more industrial development to this County.

Only by these efforts can we lift ourselves from where many of us are at. I believe this can be done to believe otherwise is false.

To believe that industry does not want to come into this county will continue to stereotype the image of the low-income poor as parasites of our country. We have been called dumb and lazy— Well I guess we are if we believe this!

Thank you.

EDUCATION

As you all must realize, education is one of the main problems of minority and poor people. The dominant idea that education is a privilege, not a right is keenly felt by all low-income people. Knowing other privileges or rights are sometimes denied, the education issue is a topic of great importance. Society says that the door to self-improvement is education, yet at the same time, it closes this door of improvement. Statistics bear this out when one observes that the average years of schooling for Indians is 5 years, Mexican-Americans, 8 years, and Afro-Americans, 10 years. All this is especially disheartening when today's high school diploma is decreasing in value. When a minority high school graduate does get a diploma it is often felt to be inferior from the one a student gets from the high school on the other side of town. Segregation and inequality is a very real factor.

The track system in the public schools gives further evidence of suspicion on the part of poor people. A child that takes an IQ test that determines if he will be on the A, B, or C group knows nothing of the reasons or results his score has on his future. What educators don't realize, after all this time, is that the IQ tests are geared to the middle income White child and leaves the minority poor child at a further disadvantage. Add to this the language problem of Mexican American children. How many Anglos know of *la llorona* especially if they have to write their answers in Spanish. Add also the attitude one has when he does learn at home is many times considered wrong by educators. Was Villa a bandit or a champion of the people?

A case that makes this intolerable situation more noticeable is the recent ruling concerning the 50,000 Mexican-American children, who by action of the CRLA, were found to be not retarded even though they were in retarded classes. Bringing the situation closer to home, why does Corcoran have 130 retarded children out of 2,000 students and Hanford 100 out of 4,000? Could it be that a higher percentage of the students in Corcoran are of Mexican descent and don't understand the tests they are given for the above reasons?

We ask ourselves a lot of these questions and can't help but think a lot of these educational problems are not only ours but yours. For a lot of us, it is too late and we don't have the opportunity to go back and get a lot more education. Must our children again suffer the same fate? A lot depends on you.

AGRICULTURAL EXTENSION SERVICE



UNIVERSITY OF CALIFORNIA

Scenic Drive and Old Oakdale Road
P. O. Box 1411
Modesto, California 95353
Area Code 209 -- 524-1251

January 14, 1972

Senator Adlai Stevenson III
Senate Office Building
Washington, D. C. 20510

Dear Mr. Stevenson:

I have enclosed a clipping from the Modesto Bee of January 13, 1972. Mr. Borden Chertkov of your office called me sometime ago and asked me if I would like to testify at the hearings which you would be conducting. I declined, but in view of the testimony given by Telamante, I wish that I would have been there.

I would like to take this opportunity to set the record straight. We have had a number of inquiries about growing plants hydroponically during the winter here in Stanislaus County. This has gone along with the increasing interest in organic gardening. There is very little information developed on this technique other than primary, because in developing what information there is, it was shown that this is a very expensive method of growing vegetables. Our government used hydroponics at Ascension Island and also at some of the South Pacific islands--Eniwetok, I believe. Hydroponics were used because these islands had no soil and it was felt necessary to use this type of growth in order to supply the base hospitals and perhaps some of the personnel stationed full time on these islands with fresh vegetables.

Contrary to what Mr. Telamante thinks, this is a very poor way to increase the labor requirements during the winter. It is economically unfeasible. I think that Armen Sarkis, our county director of Extension Service, pointed out to Mr. Telamante that it had been used at Guam and perhaps because of a language difficulty, Mr. Telamante chose to think he was told he should go to Guam.

I have watched Mr. Telamante's career for sometime in this community. He came here originally to recruit for Caesar Chavez. This was a total failure, inasmuch as our state of California Farm Labor Office was doing an admirable job of supplying people for the local farms, whereas Telamante's office did not have anyone available. He later worked for OEO, where, as I understand it, he was reprimanded for using federal funds while on the picket line for Caesar Chavez. He later attempted to start a co-op which never got off the ground, and I can predict

Senator Adlai Stevenson III
January 14, 1972
Page Two

that the venture he is seeking funds for now will suffer a similar fate.

If, as this article implies, "Two US senators expressed concern in Fresno yesterday over charges made by David Telamante" that he ran into difficulty in getting technical information for a farm worker co-op project, I hope that this letter eases your concern and, if not, I would be most happy to correspond or talk with you further.

I am concerned that such an article would get into print because certain of our funds do come from federal monies.

From what I have read in the papers, you are getting a great deal of testimony relating to the serious effect of the tax-sheltered farming. I would hope that with this information in your possession, you will eventually be able to make the tax reforms necessary to close off this overwhelmingly competitive position that these investors have over our family farms.

Sincerely,

Paul D. LaVine

Paul D. LaVine
Farm Advisor

PD:Lia

Encl.

cc: Senator Robert Taft

[From the Modesto Bee, Jan. 13, 1973]

TALAMANTE CITES LACK OF SUPPORT

Two U.S. senators expressed concern in Fresno yesterday over charges made by David Talamante of Modesto, who told them he ran into difficulty in getting credit and technical information for a farm worker cooperative project.

Talamante is president of the Tri-County Economic Development Foundation, which hopes to start a hydroponic greenhouse in order to grow vegetables in Stanislaus County in the winter.

He told the Senate subcommittee on migratory labor conducting hearings in California this week that large farmers are given information freely from the University of California extension.

The two senators, Adlai E. Stevenson III, D-Ill., and Robert Taft, R-Ohio, appeared concerned about the denial of credit and information from some public agencies and urged Talamante and his group to contact their congressman.

Talamante said in an interview in Modesto today he and other farm worker representatives will meet Saturday with Rep. John McFall of the 15th, Stanislaus, San Joaquin and Merced Counties, District, to discuss their problems and McFall's support of unemployment insurance for farm workers.

When the two senators asked Talamante to also contact his state legislator he said he told them Assemblyman Ernest LaCoste of Modesto is a Democrat, "but if you were to look at the legislation he has presented, it is contrary to the needs and wishes of the farm worker."

Talamante said LaCoste attended yesterday's hearing but did not testify.

Talamante said he testified that employees of the Modesto Administration, which offers loans to small farmers, told him they do not deal with the kind of project he has in mind and did not have time to see him.

He said he also testified he received a negative response from the Stanislaus County Agriculture Extension Service. Talamante said director Armen Sarquis called the farm workers' group "a bunch of kookies" and said if they want to start a cooperative project they should go to Guam to try it.

Talamante said his group finally got some assistance from the extension service when one of the members who is of Oriental descent posed as a student and asked the questions.

Talamante said he asked the senators to help establish an agency away from the Office of Economic Opportunity because he does not feel OEO "is set up in a way to deal with business ventures."

AGRICULTURAL EXTENSION SERVICE



UNIVERSITY OF CALIFORNIA

Scenic Drive and Old Oakdale Road
P. O. Box 1411
Modesto, California 95353
Area Code 209 - 524-1251

January 21, 1972

Senator Adlai Stevenson III
Senate Office Building
Washington, D. C. 20510

Dear Senator Stevenson:

Enclosed is a follow-up article from the Modesto Bee. This is the more accurate report of what happened when Talamante called our office regarding hydroponic vegetable gardening.

I am still in hopes that I can receive at least two copies of the testimony given at your hearings.

Sincerely,

Paul D. LaVine

Paul D. LaVine
Farm Advisor

PEL:sa

Encl.

SARQUIS DENIES CLAIM HE REFUSED AG DATA

Armen Sarquis, director of the Stanislaus County Agriculture Extension Service, denied today he has refused information about growing winter vegetables in a hydroponic greenhouse to David Talamante of Modesto.

Talamante is president of the Tri-County Economic Development Foundation, a corporative organization of former farm workers who plan a hydroponic greenhouse in Stanislaus County. Talamante is employed as coordinator of federal poverty war project to assist farm workers toward self-sufficiency.

On Wednesday, Talamante testified before a US Senate subcommittee on migratory labor in Fresno that his project had difficulty in obtaining assistance through the University of California Extension Service in Stanislaus County.

Sarquis said today Talamante could have had the information "if he hadn't hung up on me."

Sarquis said Talamante telephoned him seeking information about growing winter vegetables in which plants are grown in chemicals and pebbles instead of soil. The farm adviser said the objective of the project described to him was to create winter employment for farm workers.

Sarquis said he explained his office has had no experience with such an operation in Stanislaus County, and Talamante was referred to the University of California at Davis. He said he also told Talamante he would find such an operation not economically feasible because of the cost of the facilities, and said the work force for such an operation would be very small.

Sarquis said he told Talamante the armed forces tried hydroponic vegetables growing on Guam because the soil was not fertile enough to produce a crop.

"He became irritated and arrogant, and he just abruptly hung up on me," Sarquis reported. "I had a publication which I intended to offer him."

Sarquis said he did not refer to the greenhouse promoters as "kookies," as Talamante had alleged. "I have a real warm place in my heart for Mexican farm workers. I grew up with them and worked next to them," Sarquis said.

The two senators who conducted the hearing, Adlai E. Stevenson III, D-Ill. and Robert Taft, R-Ohio, advised Talamante to contact his congressman.

An aide to Rep. John J. McFall of the 15th, Stanislaus, San Joaquin and Merced Counties, District, said today a luncheon meeting scheduled with Talamante and a group of farm workers in Modesto tomorrow has been cancelled because McFall will be busy with other matters.

Tulelake Grange No. 468

Tulelake, California

January 15, 1972

Senator Adlai E. Stevenson III
Chairman of Subcommittee on Migratory Labor
Senate Annex Room 201
Washington D.C. 20510

Dear Senator:

We were not notified of the Family Farm Hearings, we would there fore like to submit the following information on our Area to be included in the information gathered by your Subcommittee. This information has been gathered and submitted as response to a resolution made and unanimously passed at our Grange meeting Jan. 13.

In 1950 - 684 Family Farmers in Tulelake Basin (located in Siskiyou and Modoc Counties in Northern Calif.)
1970 - 272 Family Farmers in same area 412 Farmers eliminated.
1950 - 1500 people in rural city of Tulelake
1970 - 985 people still living in Tulelake.
Numerous bussiness both small and large have died out ot moved from the area.

Population in the Counties:

Siskiyou Co.	1950 - 30,517	(Siskiyou increase largely
	1970 - 34,556	due to affluent city-dwellers
Modoc Co.	1950 - 9,678	buying recreational and re-
	1970 - 7,265	tirement homes.)

The elimination of Family Farmers is approximately 20% or 140 Farmers from 1967 to 1971. Of the remaining, we firmly believe that 50% will be gone this year due to low prices on grain and potatoes our two major crops.

Tax delinquency doubled from 1969 to 1970. There is more and more delinquency in land payments and virtually no land sales taking place in the area.

The elimination of the Family Farmer is largely caused by the poor monopolistic distribution system. As an exceptionally low price for 3 continuous seasons in the Potato Market has in no way reflected the low price to the consumer, efforts to have Marketing Controls and Acreage Controls legislation have continu usly failed in both Oregon and California Legislatures due to pressure from the large Conglomerates - the Marketing Agreements that were proposed in both State Legislatures would in no way have been a burden to the Taxpayer.

As the country is now at the bottom of a 23 year low in farm prices and as Agricultural Legislation over the past 8 years has been solely for the benefit of the Conglomerates (large corporation farms) we feel that consideration should be made of the fact that each farmer produces enough material for himself and 43 others through the use of improved machinery, more education and business practices while the corporate cannot do it as efficiently.

Even at this time there is legislation in action to open large

areas for farming in the Fresno, California Area - but it will be mostly under a large corporate and will only worsen the plight that this past year saw farms and farm-oriented small businesses go bankrupt to the amount of 43 million dollars.

We, the Tulalake Grange feel great concern over the tragic decrease in the numbers of Family Farmers who have for years stood as the backbone of our country. With their passing on to other jobs or Welfare we feel a good and steady American way of life is also passing, leaving our country without one of its last stalwart bulwarks against the growing rate of crime, delinquency and discontent that is so changing the face of our country.

Respectfully yours,

Paul Tschirky
Paul Tschirky, Chairman of
Agricultural Committee, Tulalake
Grange 468

Mary Victorine
Mary Victorine, Secretary

5055 Central Avenue
Riverside, California
January 31, 1972

Senator Adlai Stevenson
Senate Office Building
Washington, D. C.

Dear Senator Stevenson:

Within the enclosure, I see the work and the words of a statesman. It reads like the words of a man whom I admired and worked for, your father. I've watched with despair the deterioration of the little farms of the Jones and the Smiths and the small retail department stores and family owned grocery stores since 1958. Now I'm beginning to see the end of the small banks and corporations; then, the end of our free enterprise system as we know it now follows.

My survey since your congressional hearing two weeks ago shows only a few read this article "which was on the front page where everyone should of read it," and those who did do not remember or know the true meaning of it which proves that most everyone in the cities are interested only in themselves, but the few small farmers know why and what your message means to everyone.

As you stated, a million and a half family farmers are struggling for survival and a million migrant workers are living in poverty. Every member of Congress knows why, yet you are the only one who has the fortitude to bring it to the people's notice, but that is not enough. They must realize the farmers have been displaced with subsidies for any kind and any amount of land. Originally, as you know, it was to help the small farmer with acreage of not over a section of land, depending on the type of soil, etc.

For your information "if needed," there were two and one-half billion dollars in farm subsidies after thirteen years of democratic control to 1952. Six years later, under the control of Nixon and company, we had nine billion!

I have no idea how many billion we have in farm subsidies now, but I know as you members of Congress know, it is entirely too much and must be reversed now to the point of beginning.

When that is done, the corporations will sell out at a reasonable price and leave the land like rats leaving a sinking ship. If the small Smiths and Jones farmers do not have the money to buy said land, the government can purchase and sell it to them at a cost for less than we're paying now. The million and a half farmers would take millions back to the soil with them, wives, children,

Senator Adlai Stevenson

migrant workers, and family stores who would serve the farmers. Subsidies to the big corporations are the cause of most all our problems in our cities.

As you stated, the fate of America lies with the fate of rural America, and the plight of our cities arises almost directly from their plight. Some way we must let the people know and maybe then realize that putting the Smiths and the Jones farmers back where they belong would relieve the pressure in the ghettos, cut the crime rate, the overhead expense of the federal, state and local governments 50 per cent by eliminating the cause and supervision of millions who are in the cities but cannot find work.

I, like many millions in America, am sick and tired of: seeing a forty billion dollar deficit, retired people selling their homes so they can eat and live a while longer, people like Governor Reagan using tax loopholes and pays no taxes, public officials shouting we must stop inflation, cut taxes for the home owner, but the first ones to raise their own salaries, people living better on welfare than many who work like hell for a living, a government that takes our tax money and subsidizes corporations and others who don't need it.

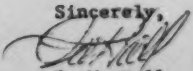
You gentlemen of the Congress know how, and have the power, to stop these handouts and waste in government, and if it's not done soon, the people will rise up in their wrath and do it for you. At our rate of travel, we can destroy ourselves within ten years. That I do not wish to see.

I want my children and their children to grow up in a country they can trust and that is why I've worked so hard the past twenty years for good democrats. After President Kennedy's death, I sat on my hands, but for a statesman, I'll work again. The person I'll work for, and the majority wants, will balance the pay, prices and profit. Make everyone pay taxes according to their income, take the profit out of wars, and plug those damnable tax loopholes.

Morally, I think our government is as low as it can get without total collapse, yet I remain optimistic. I don't believe our public servants wish to be destroyed or destroy themselves. I believe every man owes a certain amount of his life to God and his country, and I hope many more members of Congress start thinking as you do.

There is no position, no amount of power or money that is so important that we should sacrifice this nation to get it, yet that's what we're doing now and very few members know it. I pray that you will get the majority to help you do what I think your message meant.

Sincerely,


P. W. Hall

cc: Senators Frank Church, Alan Cranston, Fred Harris, Edward Kennedy, William Proxmire, John Tunney; Honorable Carl Albert, Speaker of the House; Congressmen Glen Anderson, Thomas Reese; Candidate for Congress George Brown, San Bernardino, California

[From the Press (Riverside, Calif.) Jan. 11, 1973]

SENATE PANEL PROBES "FEUDALISM" OF CORPORATE FARMS

San Francisco (UPI)—A three-day congressional hearing on the emerging "corporate feudalism" in California agriculture and the disappearance of the family farm opened today in an attempt to understand the changes in rural America.

U.S. Sen. Adlai E. Stevenson, D-Ill., said the purpose of the hearing was "to find a national policy whose effect is not simply efficiency or progress or economy of scale, but a decent life for all rural Americans."

Stevenson said his subcommittee on migratory labor would focus on these questions:

Who owns the land in California?

What are the consequences of landholding patterns on farmers and farmworkers, on consumers, on rural communities, and on the environment?

How do federal and state policies affect the distribution of land, wealth and power in California?

Stevenson said previous hearings elsewhere have asked the question "who owns rural America?"

"So far in these hearings, it appears, no one in America knows," he said.

For six months, Stevenson's subcommittee has been examining the change in rural America, a change the senator calls "revolutionary" yet unnoticed by most people.

Stevenson said it was true that statistically great numbers of farmers are leaving the soil and moving to the cities," but the numbers do not capture the hidden meaning of the rural migration: ruined hopes, deserted homes—a dying way of life."

The hearings, he said were to find the human story which lies behind the statistics of rural change. Some of the statistics were:

Since World War II, the number of farms in America has declined from 5.9 million to 2.9 million. Fewer and fewer people—or businesses—own more and more land.

In California, 3.7 million acres of farmland are now owned by 45 corporate farms. One corporation, Tenneco, owns more than a million acres.

In 1969, the largest 40,000 farms in America, less than 2 per cent of the total number, accounted for more than one-third of all farm sales.

"Farmer Jones and farmer Smith, those durable figures in American folklore—and American reality—are being displaced, all over America, by newcomers to the farms with names like Tenneco, Gulf—Western, Goodyear, Monsanto, Union Carbide, Kaiser, Boeing, and Dow Chemical, to name a few," Stevenson said.

"Meanwhile, one and a half million family farmers are struggling for survival and a million migrant workers are living in poverty."

Stevenson said the fate of America was bound intimately with the fate of the rural Americans.

"The plight of our cities arises almost directly from their plight. All of us have a responsibility to concern ourselves with the questions which are facing them," the senator said.

Tulelake Grange No. 468

Tulelake, California

March 6, 1972

Senator Adlai E. Stevenson III
Chairman of Subcommittee on Migratory Labor
Senate Annex Room 201
Washington D.C. 20510

Dear Senators:

In regard to your letter of Feb. 18, 1972, we have gathered information to further illucidate our belief that the Family Farmer is a speedily vanishing group and that our particular locality is harder hit than average because of low potato and grain prices.

Actually what the small farmer needs to survive is just a fair chance: a fair price for his products, a standard of living at least comparable to that our legislators insist is the right of the average welfare recipient and a reasonable return on his investment. Quoting from the Economic Report of the President transmitted to Congress, January 1972, pages 289-290-293-295, "Farmers get a 2.6% return on their investment, not including anything for the labor by farmers and their families". Further comparison shows in 1948 farmers had an investment of \$127.9 billion and a net income of \$18 billion, by the end of 1971 the farm investment was \$335.1 billion but the net income had dropped to \$13.5 billion. Quoting from the same source, since 1950, 59% of the farmers have left the farms, and income earned by farmers from non-farm sources (\$14.5 billion) now amounts to more than farm income (\$13.5 billion) and \$2 billion of this farm income was a 'paper' income charged up as

Housing Allotment, actually rent for living in their own farm homes.

Better understanding is also needed to help the public see the farmer as he is. Nearly any city person pictures the farmer as a wealthy miser lining his pockets with their food money. Even Treasury Secretary John Connally was quoted in "The Packer", Feb. 26, 1972, "In the light of rising food prices, officials will probably consider applying price controls on raw agricultural products." Here again is the misleading attitude that it is the raw product that demands the high price instead of the finished product on the grocery shelf. Beef just now has come to near parity and instantly we hear talk of a price control or skipping in of foreign products to counteract it. Investigation shows that the raw products are far below parity as of 1/15/72:

Commodity	Ave. Price	Parity
Wheat	1.35 bu.	2.94 bu.
Rice	5.55 cwt.	7.81 cwt.
Corn	1.09 bu.	1.94 bu.
Soybeans	2.92 bu.	4.04 bu.
Beef Cattle	31.40 cwt.	35.70 cwt.
Hogs	22.70 cwt.	29.70 cwt.
Milk sold to plants	6.14 cwt.	7.64 cwt.
Eggs	.30 doz.	.54 doz.

(list from NFO Reporter, Feb. 1972)

Considering the wheat in a loaf of bread brings the farmer 2¢, potatoes, 2¢ or less a pound and beef 31¢ a pound, it becomes obvious a small portion of the dollar spent for food actually goes to the farmer. And still we hear our legislators (Rep. Benj. Rosenthal, D-N.Y., Rep. Chas. Vanik, D-O.) say "It must be said, however, that rising farm prices are now highly visible, and from now on could even be glaring." (quoted from "The Packer", Feb. 19, 1972) Another instance of our legislators going after the consumer vote

by giving the farmers a bad image.

We agree with Agriculture Secretary Earl L. Butz when he stated he was "concerned about conglomerate firms which enter farming and use their economic power to get an edge over other farmers with lower interest rates, tax advantages and more direct access to markets." (quoted from a UPI article by Bernard Brenner in our local paper dated Mar. 1, 1972) We regret he failed to mention the enormous subsidies allotted these corporations. We feel corporations such as Boeing that are subsidized or helped by the government by low rate loans should be refused any farming subsidies altogether. As this is unfair to the small farmer and the consumer as it puts them in the position of paying a regular blackmail - their own tax money- to the big corporations which automatically and systematically exterminates the Family Farmer.

As for the subsidy payment for a qualified farmer, we feel this should be limited to \$10,000 total for any individual with loopholes tightly closed so anyone group or individual cannot realize the "hundreds of thousands of dollars in subsidies" we frequently hear about. (Arnold Paulson, Citizens Congress for Private Enterprise Newsletter, Vol 5, No. 3, 1972)

Twenty years ago, when times were bad for the farmer, he could still get by and even progress a little..that is, buy a little equipment and keep things repaired, but now, with high prices on everything he must buy, the burden of added taxes, and the raises in loan interests he finds himself in the position where he can't keep up let alone get ahead. And with his land over-assessed in the times when land was being sold, and no chance now of it being re-evaluated (as this cannot be done when there are no sales of

land being made) he can't even get out but must continue to get further behind each year while trying to hold onto what he and his family have built up through a lifetime of hard work. In other words, the small farmer is being forced into actual slavery, no way he turns can he come out on top, with the inevitable realization that in a matter of time the bank will sell him out.

Respectfully yours,

Paul A. Tschirky
Paul Tschirky, Chairman of
Agricultural Committee, Tulare
Grange 468

Mary Victorine
Mary Victorine, Secretary

This letter and our previous one of January 15, 1972 may be included in your records if you so desire.



TELETYPE UNITING ASSOCIATIONS AND THE TELETYPE ASSOCIATION

March 20, 1970

ALBUQUERQUE
TELEPHONE: (Area Code 916) 667-5214

The Honorable Adlai E. Stevenson III
Chairman, Subcommittee on Migratory Labor
Room 201 Senate Annex
1237 C Street, N.E.
Washington, D.C. 20510

Dear Mr. Stevenson:

We have received your letter of February 15 and appreciate the opportunity to submit a statement concerning the Tulare family farm economic problems to be entered into the record of your hearing. Most of these "statistics" are difficult to concisely substantiate in writing. You undoubtedly understand that.

Since 1965 about 140 families, 20%, have had to leave their farms; there has been a 30% decrease in financing potato growers; the volume of local business transacted has decreased about 40% with many businesses liquidating or consolidating; the general farm operating and equipment costs have increased at least 25%.

Delinquent taxes doubled from 1969 to 1970. Delinquent land payments increased about 4% from 1966 to 1970.

Of the remaining farmers, many will declare bankruptcy or be forced out through foreclosures this year. About eight miles north of Tulare is a rural town, Malin, Oregon, with about 500 people. Just this week five farmers in Malin declared bankruptcy. This is indicative of the economic direction of the Tulare Basin.

Yours very truly

George E. Smith, Jr.

George E. Smith, Jr.
President
pl

POTATOES - BARLEY - ALFALFA - WHEAT - ONIONS - LIVESTOCK - HORSEHOUSING - GARLIC

DECISION AT DI GIORGIO

(By Victor Salandini)

Cesar Chavez and the AFL-CIO joined forces to defeat the Teamsters Union in its owner-supported drive to organize field workers—

The recognition of the AFL-CIO's United Farm Workers Organizing Committee by California's vast Di Giorgio Corporation as bargaining agent for its field workers represents a major breakthrough in the history of the American labor movement.

In 1947, attempts to organize the vast Di Giorgio complex provoked a bitter battle that left the National Farmers Union prostrate, and it had to be dissolved a few years later. Armed guards were thrown around picketed fields; violence erupted almost daily, resulting in at least two deaths and dozens of injuries; hundreds of strikers were arrested. The experience discouraged further attempts at organization of farm labor. Not until 1959 did the AFL-CIO re-enter the field. Since then, it is estimated that the AFL-CIO has spent \$1.5 million on its farm labor drives—without a single contract to justify that vast expenditure.

It is ironical that the breakthrough at Di Giorgio was achieved largely by an independent and comparatively new labor movement, the National Farm Workers Association, led by Cesar Chavez, which was accepted into the ranks of the AFL-CIO at the eleventh hour, so to speak. Faced with the prospect of having the fruits of victory snatched away by the Teamsters Union—which Chavez had accused of entering into a "sweetheart contract" arrangement with Di Giorgio—the independent NFWA joined forces with the AFL-CIO's Agricultural Workers Organizing Committee to form the United Farm Workers Organizing Committee. This merger was a key factor in the August 30 elections, supervised by the American Arbitration Association, which resulted in the selection of UFWOC as bargaining agent for Di Giorgio field workers.

Of the 1,205 field workers who voted, 530 cast ballots for the AFL-CIO union, 331 favored the Teamsters, and 12 wanted no union. The American Arbitration Association challenged the validity of 332 ballots, largely on the grounds of eligibility. Since both unions and Di Giorgio accepted the AAA's decision on the challenged ballots, there never was any question of contesting the outcome.

Perhaps the most significant figure here is provided by the 12 who opted for "no union." For years, corporate farm interests have maintained that field workers were not interested in labor unions and that they were being harassed and victimized by labor leaders and "outside agitators." The fact that only 12 of the 1,205 votes cast supported this view should lay this canard to rest forever.

Now that the election is over, the key question that arises is: why did the multimillion-dollar Di Giorgio Corp., which has been so vehement in its opposition to labor unions in the past, suddenly agree this year to permit its workers to choose a collective bargaining agent? After all, growers are exempt from national labor legislation, and there is no State legislation compelling recognition of farm labor unions. Yet the Di Giorgio interests readily agreed to the suggestion, when it was made by Gov. Edmund G. Brown, that an AAA-supervised election be held. Why?

As a student of economics (I am studying for my doctorate in this field at Catholic University), I had a first hand opportunity this summer to delve into this question. In Borrego Springs, where the Di Giorgio interests have a vast grape-growing operation, I spent two weeks doing some research into the concepts of the "closed society" and the "power structure" of the corporation farm.

I was there on June 24, the day that the Di Giorgio interests—with a good deal of advance publicity and fanfare—conducted their first collective bargaining election. Chavez and the AFL-CIO's union boycotted the vote on the grounds that it would be rigged in favor of the Teamsters, the only union listed on the ballot. About half of the Borrego field workers cast ballots and, as expected, they favored the Teamsters.

It was at this time that eight Mexican field workers who favored Chavez' union and who were subsequently fired came to the place where I was staying with Chavez and Rev. Wayne Hartmire, a Presbyterian minister assigned to the National Council of Churches Migrant Ministry. Apparently afraid of the Di Giorgio armed guards and police dogs, they asked us to accompany them back to their quarters, where they could pick up their belongings and their

back-pay checks. We did so, ignoring the "No Trespassing" signs since we felt the workers had been paying for room and board and were entitled to enter the camp with visitors. The Di Giorgio guards felt otherwise. All eleven of us were arrested and jailed on charges of trespassing. The charges against the Mexican workers were later dropped, but Chavez, the Rev. Hartmire and myself were convicted of trespassing and were ordered to pay fines of \$250 each.

The ensuing news coverage of this episode, I am convinced, helped to sway public opinion in favor of Chavez, for it made people realize how far Di Giorgio was going to maintain its "closed society." More important, however, was the impact on the field workers themselves. They knew that Teamster organizers were literally given the run of Di Giorgio properties. After we were arrested, the once skeptical workers began to believe Chavez' arguments that Di Giorgio and the Teamsters were arranging a "sweetheart contract" deal and that the "No Trespassing" signs were intended only for Chavez and the AFL-CIO union.

By the time the August 30 election rolled around, the Di Giorgio interests dropped their pretense of neutrality and, in effect, told the workers that if they felt they must have a union, they should choose the Teamsters.

Why the Teamsters? By this time, it had undoubtedly become apparent to all concerned that farm labor unionization was inevitable. When Chavez' group and the AFL-CIO union joined hands in their strike in the grape fields a year earlier, organized labor and civil rights organizations gave them nation-wide support in boycotting products of the struck companies. Schenley Distilleries, one of the struck firms, admitted the effectiveness of this boycott by becoming the first company to recognize the grape pickers' union and signing a contract.

Di Giorgio products also were feeling the pinch of the boycott—the prime factor in the decision to permit the election for a bargaining agent. Since no one connected with the corporation has ever explained the preference for the Teamsters, we can only speculate that perhaps Chavez was right in his "sweetheart contract" explanation—or that personal reprisals were involved because Chavez had been responsible for calling the long strike in the grape fields.

Whatever the reason, any hopes that might have existed of a neat and tidy Di Giorgio-Teamster deal never were realized. The June 24 vote, in fact, stirred so much antipathy in the State, especially among farm workers and AFL-CIO-affiliated unionists, that Gov. Brown appealed to Di Giorgio to permit a new election among its workers under supervision of the AAA. To its credit, Di Giorgio agreed.

I went to Delano, the center of the corporation's grape-growing operations and headquarters of the competing unions, to continue my firsthand study of the pre-election maneuvering and the election itself. By this time, Chavez' union, composed primarily of Mexican-Americans, and the AFL-CIO union, predominantly Filipino-American, had been merged to present a united front against the Teamsters. Under the aegis of the AFL-CIO, the united union thus was able to get the financial help and professional organizing assistance to counter the well-financed thrust of the Teamsters.

The arbitration association had required the Di Giorgio Corp. to provide lists of workers to both unions. The workers' eligibility to vote was decided beforehand by mutual consent of all parties involved. These lists enabled the union organizers to get the "right people" to the polls. An attempt was made to contact every worker on the lists; transportation was provided to bring in voters from as far away as El Paso, Texas, and Jallisco, Mexico—seasonal migrants who had worked for Di Giorgio and then moved on. It was an amazing effort requiring hundreds of man-hours of work and an expenditure of thousands of dollars. But it paid off in a significant victory for the United Farm Workers Organizing Committee.

The defeat has not deterred the Teamsters, whose Western regional director immediately announced plans for the formation of a special Farm Workers Division to "battle the AFL-CIO all the way" in an intensified drive to organize California's 200,000 domestic field hands. The showdown at Di Giorgio, however, clearly gives the AFL-CIO an upper hand in the gigantic job ahead. It can be truly said that a new and brighter era has opened for California farm workers. And what happens in California is bound to affect the lives and fortunes of all those who toil in the fields to produce America's bounty.

[FR. VICTOR SALANDINI, for eleven years a field worker in California and now a priest of the Diocese of San Diego, is the author of "Union Organizing in the Fields" (AM. 10/9/85).]

MORE GRAPES OF WRATH

(By Victor Salandini)

The latest efforts to organize grape pickers in southern California have been stymied by the government's co-operation with growers. Success in the next phase of this campaign for social justice will be up to us—

When June came to the Coachella Valley this year, organizers of the United Farm Workers Organizing Committee (UFWOC) were on hand to map strategy in their continuing struggle to improve the economic lot of California's grape workers. In the flat, dusty streets of the town of Coachella, the vanguard of those who follow the crops had already arrived, their cars and pickup trucks parked along the streets bordering City Hall Park.

Cesar Chavez, the 41 year old Mexican-American who for the past three years has led the effort to organize California's \$168.5 million grape-growing industry was on the scene. His AFL-CIO-affiliated committee's attempts to induce the 41 growers in the Coachella Valley to allow the National Labor Relations Board to conduct an election to determine a bargaining agent for the field workers had been curtly and summarily dismissed. UFWOC's only alternative was to call a strike and post pickets at roads leading to the fields. Before doing so, however, Chavez went ahead and set up the machinery for polling the workers on the issue, inviting three prominent Southern California citizens to act as observers at the polls and during the actual vote counting. Of 2,000 workers polled, Chavez was able to produce ballots showing that more than 1,500 favored UFWOC as their bargaining agent. Under normal conditions, such as a show of strength might have had a salutary effect on the growers, but it soon became apparent that conditions were anything but normal.

The growers, realizing they were to be the target of the state-wide UFWOC organizing drive, had made arrangements to import by bus and truck so-called green-card workers from Mexico to harvest their grapes. Green-carders are Mexican nationals who have a visa to be resident aliens in the United States, but they go back and forth across the border as they please. Existing regulations prohibit them from accepting employment in fields involved in labor disputes. Chavez has charged that in the Coachella Valley, and before that in Delano, the Justice Department's Bureau of Immigration and Naturalization Service, which supervises the green-card program, has not enforced these regulations. For their part, immigration authorities claim they are enjoined from acting against the influx of green-carders in the grape fields because of a Federal court order obtained by the growers, who maintain that a strike or bona fide labor dispute does not exist in their fields since the picketing workers do not constitute a legally recognized union under the terms of the National Labor Relations Act.

It was obvious that the 41 grape growers in the Coachella Valley had no intention of signing any contracts with Chavez's committee. When UFWOC posted pickets at entrances to the vineyards, it was noticed that some field foremen and other supervisory workers were armed with pistols. Truck drivers carrying green-carders into the fields were instructed not to allow the pickets to block their access. The growers stubbornly resisted all efforts of UFWOC to discuss the situation. Tension heightened.

At 5 A.M. on July 2, a vineyard foreman taking a group of workers into the field at an area called Oasis drove his pickup truck through a line of pickets at the entrance. Most of the pickets scattered to avoid being struck by the truck, but one—William Joseph Richardson, 22 a student who is studying for the priesthood at Moreau Seminary of the Holy Cross Fathers in South Bend, Ind.—jumped on the hood of the vehicle and was carried to the picking area. According to the report issued to the press by the Sheriff's Department, the ranch foreman then allowed Richardson off the truck and drove away to report the incident to sheriff's deputies. Soon after, however, a sedan drove up with two men in it. They forced Richardson into the car, where, he told deputies, he was beaten up and then driven to the edge of the vineyard. Charges of trespassing were filed against him.

A union attorney had been summoned, and he was there to meet Richardson. He ordered an ambulance; the seminarian was taken to Valley Memorial Hospital, where he was treated for facial bruises and was X-rayed to determine the extent of his injuries.

That same day, the union's attorney received reports of two other beatings of pickets and six attempted runovers. The growers countercharged that four workers were struck by stones thrown by pickets.

The next day, Chavez ordered an end to picketing and decided to use the pickets and organizing staff in the Coachella Valley to intensify UFWOC's national boycott against all table grapes. A fervent disciple of nonviolence, Chavez felt that violence would only breed more violence, and he refused to allow his followers to be placed in a position in which their lives were in danger.

The eruption of violence was widely publicized in the local press and on television, and served to bring the union's story before the general public in an area where the "local establishments"—the police, the courts, the business community and even the local churches—definitely opposed Chavez's organizing efforts as "outside agitation."

The grape harvest in the Coachella Valley is now completed, and the migrant labor force now moves north with the sun, to Arvin, to Delano and to Lodi, until California's table grapes, 95 per cent of the nation's total production, are on their way to market. The Coachella Valley experience has proved once again that California's table-grape growers will never accept an organized work force so long as the green-card system provides a ready supply of cheap, docile labor to take the place of domestic workers who prefer to work as members of Chavez's UFWOC. This explains the vital necessity of UFWOC's two-pronged drive to put pressure on Federal authorities to do something about the system that permits green-carders to be used as strike-breakers, and to convince the American public to back the nation-wide boycott of table grapes until the battle for justice is won.

[Fr. Victor Salandini, a priest of the diocese of San Diego, is presently writing his doctoral dissertation for Catholic University on the farm-labor problem in California. He has worked closely with Cesar Chavez from the beginning of the Delano strike, lobbying for the strikers in Washington, D.C., while pursuing his studies. He was with the farm workers in Coachella during the last four days of the strike.]

BREAKTHROUGH IN COACHELLA VALLEY

The union label—a black eagle on a red field—on union-picked table grapes promises economic advantages to the three growers who signed with Chavez's United Farm Workers—

Three table grape growers in California's Coachella Valley decided recently to sign contracts with Cesar Chavez's United Farm Workers Organizing Committee (UFWOC). The decision has been hailed by his followers as a major breakthrough in the five-year fight to bring the benefits of unionism to the state's 400,000 agricultural workers.

Under terms of the contracts, wages are increased by 10 cents an hour over the prevailing rate to \$1.75. In addition, 22 cent an hour in fringe benefits are provided and a union shop is accepted. The fringe benefits include payment of 2 cents for every box of grapes, the amounts to be placed in a job-retraining fund to assist workers replaced by mechanization. A key feature in the contracts is a clause ruling out use of dangerous pesticides. It was the growers' refusal last year to discuss this issue that led to termination of negotiations in the Coachella Valley.

Jerome Cohen, UFWOC attorney, credits much of the success of this year's breakthrough to the Ad Hoc Committee of Catholic Bishops, a group of five prelates under the chairmanship of the Most Rev. Joseph Donnelly, of Hartford, Conn. They entered the discussions last November at the invitation of both growers and union supporters. "Their presence," Cohen said, "created an atmosphere for conciliation."

When the press was summoned to the Los Angeles Archdiocesan chancery offices for the announcement of the contract agreements, Bishop Donnelly said that he and his fellow bishops were "confident that this breakthrough would serve as a pattern for others." Chavez simply said: "This is a very important day." Lionel Steinberg, who signed the contracts for the growers said: "I have some concern that [the union shop clause] may not be completely workable, but I am convinced that I will try and they will try. It is my hope that we have commenced a historic breakthrough."

The hope and confidence that were expressed that evening, however, were not shared by Mr. Steinberg's more adamant grape-growing colleagues in the Coachella and San Joaquin Valleys. The next day, the California Growers' Association started grinding out press releases pointing out that the three contracts negotiated by UFWOC covered only 1,100 acres—1 percent of the total California table grape crop—and involved about 750 workers, who would be working only during the months of May and June (the grape harvesting season in Coachella Valley.) The tone of these releases makes it plain that California agribusiness is still not ready to let its workers decide for themselves whether or not they should be represented by a collective bargaining agent.

This position is best exemplified in the attitude of the people who run the Giumarra Vineyards Corporation, the largest table grape producer in the country, controlling 12,000 acres in Kern and Tulare Counties and marketing on an average of \$4 million worth of grapes a year. "Chavez," says John Giumarra Jr., the corporation's legal counsel, "is the head of an illusory army created by press releases."

This position has been echoed by the California Growers Association, the Farm Bureau, the John Birch Society, the California branch of the American Independent Party and numerous other ultra-conservative groups. They have joined forces in an attempt to discredit Chavez and his union and to counter the effects of the international grape boycott, the only weapon UFWOC has left to bring the growers to the bargaining table.

If Chavez's army is an "illusory" one, how do the growers explain the fact that, in every labor election permitted by the wine grape growers, Chavez's union has won rather lopsided victories? Could it be possible that the growers know that if they permitted their workers to vote, they would vote the same way as their colleagues did in the Di Giorgio and Schenley elections? Since farm workers are excluded from the National Labor Relations Act, it appears that the growers are taking advantage of this legal exclusion to deny their workers a basic right enjoyed by workers in practically every other field of endeavor.

In the welter of confusion that has been created by the growers' propaganda campaign, many persons are honestly puzzled by the growers' ability to harvest grapes and get them to market despite the existence of a UFWOC strike, which is now in its third year. Growers point out, for example, that 5,000 workers continue to harvest grapes in the Delano area, and they cite this fact as evidence that the workers reject UFWOC's organizing efforts. How valid is this claim?

In 1968, Richard A. Fineberg, who then was a doctoral candidate in government at the Claremont Graduate School, made a first-hand study of this issue in the Delano area. With a grant from the Council for Christian Social Action, he directed a research team that interviewed more than 400 field workers, together with union and grower representatives and federal and state officials at various levels. His findings present a picture that contradicts the growers' allegations.

More than half the grape pickers employed in harvesting the 1968 crop, he ascertained, were not employed by the Delano growers before the strike was called. Those who were still in the fields were mostly "wetbacks," Mexican nationals in this country illegally; "green-carders," Mexican nationals with visas allowing them to work in the United States; housewives and students, who work only during the peak harvest periods; and workers whose level of poverty is so low and whose family responsibilities (large families) are so great that they cannot afford to join the strike. The sympathies of many of the last category are with the union, and if allowed to vote they undoubtedly would favor UFWOC.

In interviews with 194 workers in grower-operated labor camps in the Delano area, the research team found only 30 who had worked for their present employers for more than five years. The workers who support Chavez have left the grape fields and are now working on other crops. Others have left farm work entirely for jobs in the cities. If the growers really believed their own propaganda, they would permit their workers to vote on the issue of whether they want to be represented by Chavez's union. Until the growers do, their charges cannot be taken seriously.

It is apparent from the reaction of the more adamant growers to the Coachella contracts that the economic effects of the union's international grape

boycott are now being felt. Last year, when the pressure of the boycott forced a group of growers in the Coachella Valley to open negotiations with UFWOC, a group of 80 of the biggest growers in California got together and hired the political merchandising firm of Whitaker and Baxter, at an annual fee of \$2 million a year, to sell the public on the idea that somehow the boycott was illegal, immoral and un-American. Undoubtedly determined to keep that lucrative account, Whitaker and Baxter is also trying to convince the growers that they can ride out the boycott storm successfully. But can they?

In the Coachella Valley alone—a minor producing area compared to the San Joaquin Valley—the two-year boycott has been instrumental in driving more than one-third of the 85 table grape growers out of business and forcing an abandonment of 1,000 of the valley's 7,800 acres of grape-producing land. The boycott has forced an increase in grape production and selling costs and, together with a bumper 1969 crop that drove down prices, has created an untenable position for the marginal producer. The UFWOC is confident that union labels on union-picked table grapes from the Coachella Valley will now prove to be such an economic boon to the three growers that the lesson will not be lost on those growers who have steadfastly refused to be dragged into the 20th century.

William Kircher, national director of organization for the AFL-CIO, puts it this way: "We are going to expect every fair-minded citizen to have an awfully good appetite for grapes with this kind of label (a black eagle against a red background) and an awfully bad appetite for the other kind."

In the meantime, UFWOC and its supporters are fully aware that the initial victory achieved in the Coachella Valley will turn to dust unless they can continue to generate sufficient support for the boycott in 1970.

Larry Itliong, UFWOC assistant director and international co-ordinator of the boycott, points out that the table grape growers began 1970 with 20 per cent of last year's harvest—6 million boxes—in cold storage. "If we can block the sale of these grapes and shut off more markets to the 1970 harvest, which begins in May, then the growers will simply have to sit down at the table and work out an agreement with their workers to end the boycott. It would save everybody a lot of headaches if they would sit down now, well in advance of the season, so we could have the contract finished before the picking starts. Then the workers and growers could work together to make the grape industry the most healthy and prosperous in American agriculture."

Will California's table grape growers listen to the voice of reason and compassion—and follow the example of their three colleagues in the Coachella Valley? Or will they allow a growing spirit of intransigence to shackle them to a discredited economic philosophy that brought about so much needless suffering and misery in a less enlightened era of our national history?

[FR. VICTOR SALANDINI, priest of the Diocese of San Diego, who has a doctorate in economics from Catholic University, has been released by his bishop to work full time in New York as research director for the grape boycott.]

LESSONS OF THE GRAPE STRIKE

The first successful effort of its kind, the nation-wide economic grape boycott gives farm workers a powerful tool for extending their recent California victory—

When the California Federation of Labor held its annual convention in San Francisco during the first week in September, the assembled delegates received the first news that the international boycott against California table grapes was officially at an end. The announcement was made by the AFL-CIO's national president, George Meany, in introducing Cesar Chavez, the man whose sincere personal dedication brought victory to the United Farm Workers Organizing Committee in its five-year struggle for economic justice for California's grape field workers.

The grape boycott was the first successful nation-wide economic boycott in U.S. history. It has succeeded in cutting sales by 30 percent, forced thousands of tons of grapes into cold storage and confronted growers with the bleak prospect of economic disaster if they persisted in ignoring the legitimate aspirations of their workers.

One of the most adamant opponents of the UFWOC effort, Otto P. Haas, president of the Gristede Bros. grocery chain, termed the economic boycott

a "terrible tool." For months, members of UFWOC's boycott committee had sought a meeting with Mr. Haas to discuss the issue with him. When they were rebuffed, the Gristede chain became a prime target of the boycott, and the literature that was distributed outside his stores hammered home the theme that the boycott was a "terrible tool" only to those who ignored their responsibilities to their fellow men.

For years, all attempts to win a modicum of social justice for the farm workers had been defeated by a combination of powerful forces that respected only wealth, power and privilege. Strikes by American farm workers had been broken by the importation of strikebreakers from Mexico. Strike leaders were thrown into jail on trumped-up charges. Pickets were run down by guards in company-owned trucks. Farm workers were denied the basic rights guaranteed by federal and state law to all other workers. As a result, farm workers who perform the most onerous—and the most vital—jobs today are the lowest paid and the most exploited group in America.

The grape boycott was the only recourse left to the farm workers in their struggle for a decent life. It was an appeal to the individual conscience—of the buyer and seller alike—to refrain from buying a product that had become a symbol of human greed and exploitation.

Across the land—the boycott had spread to 53 major grape-consuming cities in North America—UFWOC organizers enlisted the help of labor unions, church groups, student activists and anyone interested in the cause of social justice. They manned picket lines, distributed literature, contacted mass media outlets and appeared before any gathering willing to listen. Their object was to get across the farm workers' story to the consumers—and this they did magnificently.

The break in the solid grower ranks came in March when a group of relatively small producers agreed to sign contracts with Chavez' union after the U.S. Catholic Bishops Ad Hoc Committee on Farm Labor, under chairmanship of Bishop Joseph F. Donnelly of Hartford, Conn., succeeded in getting both sides to reopen negotiations that had broken off a year before.

With the presence of union grapes on the market—however small the volume at first—the consumer now had a choice. And the same boycott committees which had caused grape sales to plummet now directed the public to outlets where union grapes were available. The result was that union grapes from the Coachella Valley were soon bringing their producers \$1 to \$2 a box more than the nonunion grapes that they had sent to market the year before. The economic lesson was not lost on the major California grape growers. Within four months—again with the Bishops' Committee acting as intermediaries—70 percent of California's grape growers had negotiated contracts with UFWOC. The momentum of the farm workers' victory is expected to bring the remaining holdouts into the UFWOC fold without too much difficulty.

UFWOC, however, has had little time to savor the fruits of its historic triumph, for the battle line suddenly shifted to the Salinas Valley, long known as the "nation's salad bowl," where 10,000 field workers are employed in the lettuce, broccoli, celery, asparagus and strawberry fields. The Salinas growers, knowing they were next on UFWOC's organizing schedule, formed a united front. In an ostensible move to forestall action by Chavez' union they invited the West Coast Conference of Teamsters to come into the valley and sign contracts to represent their workers. The Teamsters were glad to oblige their hosts, despite the fact that four years before they had signed an agreement recognizing UFWOC's right to organize field workers. Furthermore, neither the growers nor the Teamsters bothered to consult the workers on the issue.

If the growers and the Teamsters thought UFWOC would accept the *fait accompli*, they soon found out they were mistaken. Chavez immediately moved his organizing staff into Salinas and at a hastily summoned press conference denounced "the unholy alliance between the massive farms and the massive union . . . to kick farm workers in the teeth." He called on all workers to leave the fields to show the growers and the Teamsters that "farm workers will not be bought and sold like cattle." The next day, thousands of workers walked out of the fields at the peak of the harvest season, bringing production to a virtual standstill.

Undoubtedly pressured by national headquarters, the Teamsters offered to abrogate their contracts if the growers wanted to negotiate with UFWOC. Two of the valley's biggest growers, Inter Harvest and Purex, announced their intention of opening negotiations with UFWOC but were stymied by court action initiated by the other Salinas growers who maintained they could not do so because of the existence of the prior growers' agreement to stand fast against UFWOC. While the legal issues are being fought in the courts, UFWOC is pressing its strike action, confident that the ultimate outcome will be in its favor.

This feeling of confidence is based on the hard-learned lessons of the grape boycott.

1. "People power" is a potent force. The boycott succeeded because UFWOC was able to get its story across to the American people, who responded by the millions in letting their grocery store managers know how they felt about the sale of nonunion grapes. Behind this response was the dedicated work of thousands of Americans in all walks of life who contributed time, effort and money to implement the boycott in practically every major city.

2. Economic boycotts are effective if motivated by a true concern for justice and charity. During the five tumultuous years of the grape strike, Chavez was subjected to intense pressure by militant activists to reply in kind to the violence that was unleashed against the strikers. He wisely resisted this pressure. When violence threatened to get out of hand in the Coachella Valley, he promptly called off all picketing and decided to undertake the boycott on an international scale because he was convinced that he could bring about the social and economic changes he desired so desperately without recourse to violence. In the process, he found out that large corporations fear and detest the boycott because it tarnishes a corporate image built up over many years with the expenditure of millions of dollars in advertising and public relations contracts. Since most of the nation's farm production is now organized along corporate lines, it was an extremely valuable lesson for UFWOC.

3. The "patience of the poor" can be a valuable asset. During the five long years of the grape strike, thousands of workers left struck vineyards to seek work elsewhere, many times at great personal sacrifices. Others resigned themselves to a hand-to-mouth existence, living on donated food and clothing collected all over the country and sent to Delano in periodic "caravans." By contrast, "agribusiness" interests were prepared to lose millions to break farm strikes quickly, but quailed at the thought of suffering financial reverses over a sustained period of two, three or four years, which was the prospect they faced if the grape boycott, with its ever increasing effectiveness, went into its third year.

4. Effective action for social change requires some solid basis of support within the community. By Affiliating with the AFL-CIO, the farm workers were assured of support they otherwise would not have had. Furthermore, their fight for social justice stirred the consciences of religiously motivated people and produced what is probably one of the greatest examples of ecumenical action in our times. As Marilu Sanchez, co-ordinator for the boycott in New York, put it: "With the church and labor on your side, it's hard to lose."

What of the future? With the grape growers fairly well organized and with the prospects for success in the Salinas Valley more than encouraging, UFWOC is prepared to move into the citrus groves and into the agriculturally rich Imperial Valley, long known as California's "graveyard of unionism." The immediate goal is the organization of the 200,000 farm workers in California. But UFWOC does not intend to stop there. It is committed to a strong national union of all farm workers. And Chavez has vowed he will not rest until all those who toil in the fields enjoy the same rights as all other Americans, including a right long denied the farm workers—the right to a voice in the determination of their own future.

[FR. VICTOR SALANDINI, priest of the Diocese of San Diego, has a doctorate in economics from Catholic University and is on leave to work full time as research director on agricultural labor problems in California. Recently he contributed "Breakthrough in Coachella Valley" (5/2/70)].

ANDY KYLE'S GREENHOUSES

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Jan 18, 1972

77575

Senator Adlai E. Stevenson III
Senate Office Building
Washington, D.C. 20510

Dear Senators:

We are glad to learn that your subcommittee is investigating the unfairness to the small farmer by various government programs.

When I was a small boy in N.H. I saw my grandfather forced out of the dairy business by the low price offered for raw milk by the Boston market. In the mid twenties my parents had to sell out their poultry breeding business in N.H. as their neighbors and customers were forced out by refrigerated cars and Western eggs. In the thirties I saw many small farms sold at auction in Ohio. After World War II I saw the small cotton farmers of East Texas give up as allotments were cut and West Texas irrigated farm lands took over. Many East Texas cotton farmers went into broilers but soon they were forced out by competition from the big corporations. Sec 2 of Ag Butz's Purena for one.

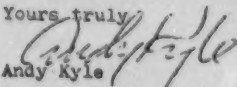
I have always felt that the more people who were able to remain in rural or small town areas the better the nation would be. But over the years it has seemed like the government was bound to get people off the farms and into the cities as a cheap source of labor. As few farmers are equipped to take over highly skilled or white collar jobs.

Even the government farm programs are geared toward the big operators and not the little farmer. I had always thought the Farm Home Adm was set up for the little farmer who couldn't get loans anywhere else. That's a laugh. The FHA will loan money to a farmer if they are sure they will get it back and preserve their good record of repayment. I'm not complaining about FHA for myself as I am grateful for the loans we have from FHA. We were fortunate to have paid for land when we made our loans. At present we have \$50,000 land (1962 appraisal) mortgaged to FHA on a \$10,000 loan.

Over the years we have survived hurricanes, storms, freezeouts twice, bugs, competition, local, out of state and out of country but the thing that will kill our operation will be property taxes. With city limits moving out to one side of us and subdivision on other crops just can't keep up with valuations tax collectors put on property.

Small farmers don't necessarily need subsidies as much as they need advantages the big operators are able to get from government rules and laws. Also the percentages in allotments should be on a scale that doesn't penalize the small farmer but only nicks the big operator.

Yours truly,


Andy Kyle

MAURICE K. STRANTZ ECONOMIST

1300 WEST SHAW AVENUE (209) 237-4722 FRESNO, CALIFORNIA 93708

January 21, 1972

The Honorable Adlai Stevenson, III
 The United States Senate
 Washington, D.C. 20510

Dear Senator Stevenson:

I want to compliment you on the excellent press coverage you received on your hearings last week in California on problems of the family farm. I am very sorry that the press of other business prevented me from attending either the hearings in Fresno or San Francisco and that I did not have enough foreknowledge of the hearings to present a statement.

Unfortunately I believe that the hearings did not sufficiently emphasize the most serious problem which agriculture faces throughout the Nation and equally in California, and that is the low return to the farmer on his invested dollar. Directing your attention to the Balance Sheet of the Farming Sector, Agricultural Information Bulletin 350, you will note that in 1970 the return to all farmers was \$16.3 Billion, something less than 5% on the \$317 Billion invested. This is as compared to \$27.4 Billion, or in excess of 10% on a net worth of \$232 Billion as reported by 2137 manufacturing corporations reported by the First National City Bank. The single greatest item of increase in the farmer's balance sheet was the \$3.5 Billion increase in the value of farm real estate. This asset increase a farmer is able to take advantage of only when he liquidates his farm. I would like to emphasize that the low rate of return has continued to discourage the entrance of capital into farming and that farming in general has relatively lower productivity per worker and per dollar invested capital and thus is not attracting either highly-trained people nor secure investments. Your hearings did bring out that many of the so-called "tax gimmicks" are attracting more farm capital into agriculture, but largely because of the gimmickry is not attracting the most intelligent investor.

I also believe that one of the most important factors in agricultural productivity is the relative underemployment of farm operators and farm labor. Unfortunately, I believe that the efforts toward unionization are not having a very positive effect upon this underemployment since there has been little change in the legislative requirements and employment conditions. However, the studies that have been made do indicate that the underemployment is decreased by increasing the scale of operation and also there is better

MAURICE K. STRANTZ ECONOMIST

The Honorable Adlai Stevenson, III

-2-

January 21, 1972

utilization of farm machinery and more output per dollar investment. This is also true of comparisons between irrigated agriculture in the West and non-irrigated agriculture in the East. Irrigated farms have better utilization of labor and greater productivity of its invested dollars.

I was interested in the attention that was given to giant farming corporations entering into the field of agriculture. Looking over the most recent list of the 500 largest corporations in Fortune Magazine, we have to go down to #14 to find the first major western company in farming, the Standard Oil Co. of California. While it is a substantial agricultural landholder, that its significance in farming is rather minor since it crophares its land and has relatively little irrigated land. Then we have to go down to #19 to find the Shell Oil Co., which is an important supplier of fertilizer. Tenneco which is #34, farms through Heggeblad Margules and Kern County Land Co. and is the first large company directly involved in agriculture and farming. While as #3 in Transportation, the Southern Pacific Company is listed separately, it does not compare in revenues, assets or net income with Standard Oil or Tenneco. I have some concerns over corporate size as a general rule. I believe that we should attack this as a general problem rather than to single out farming as a special area of concern. As a matter of fact, I would think that the more investment in agriculture that we could have by large corporations, the better off that we might find the very sick farming sector of the American economy.

I am sure that in the course of the hearings it was pointed out that California's share of the subsidy program is about \$2.50 for every \$100 of agricultural production whereas in the nation as a whole it is about \$8.50 per every \$100 of agricultural production. I would also like to suggest that the committee staff should give some serious analysis of the amount of dollars that would be necessary to maintain and enlarge farm operations for the family farm basis. A hasty calculation on my part would indicate that it would require at least \$2,000 per farm worker or nearly \$1 Billion in supplemental payments to farm workers to maintain farm families above the poverty level and I would assume that another \$1.5 Billion would be required to make farming profitable for all but the smallest farm operators on a family farm basis.

I would appreciate a copy of the hearings and report when they are printed and you may introduce this material into the record if you feel that it is appropriate.

Respectfully yours,


Maurice K. Strantz

MKS/wc

SAN FRANCISCO, CALIF.
SAN FRANCISCO, CALIF., *January 12, 1972.*

TO SENATOR STEVENSON:

With this premiere issue, we would like to introduce you to the new Land-Owners Journal. Our intent is to keep the public informed on all issues and developments in land sales practices and to provide a forum for discussion of these practices and other related issues such as consumer advertising.

Land sales have boomed in recent years and with this increase there is a greater need for public awareness and vigilance. Paging through our issue you will note the extent of unethical practices in land sales and developments. Involved as you are in these issues on a first hand basis, we hope you will appreciate our efforts in this journal to bring these fraudulent practices to light.

We are interested in your response to this issue and hope you will take time to write us a letter indicating your views. If you know of anyone who would be interested in receiving a copy of The Land-Owners Journal, please send us their name and address and we will forward a copy to them.

Sincerely,

L. D. REYMANANDT.

The
LAND-OWNERS
Journal

Published by The Western Land-Owners Association,
1431 Van Ness Avenue, San Francisco, California 94109



This is the Airstrip at Shelter Cove, site of thousands of lots and roads to infinity and worthless dreams of profit for the investing buyer.



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EDITORIAL

Land Buyers Need Protection

The State Attorney General's Office estimates a surplus of 300,000 vacant lots in rural California. Misled by the assumption that any land investment in California will lead to wealth, buyers are generally disappointed by the failure of their land sites to develop and flourish as they were led to believe. In recent civil suits some promoters have been accused of advertising "falsely and fraudulently, with intent to mislead and deceive the public."

The enormity of the land swindling business has sparked public interest and brought about several legislative moves to strengthen local government procedures governing new real estate promotions, to build in new environmental safeguards and to require more full disclosure of what prospective buyers are being offered.

An increasing number of articles in the news indicates that the State of California has stepped up efforts to protect the land buyer from potential fraud. Unfortunately, land promoters have enlarged their own activities to elude the new legal restrictions.

Under new guises of legality, profitability, and good will they continue to plunder the California landscape and to lure uninformed buyers into hopeless land investments.

In light of this, the need for increased public awareness of these fraudulent land sales and development practices is unquestionable. Our efforts in this journal will be directed toward keeping our readership informed of all news developments in the area of land development and sales practices.

False consumer advertising is often at the crux of the whole land swindling game and is also, thereby, of particular interest to us in protecting the consumer's interests.

It is encouraging to note that the State Attorney General's Office is waging an insistent war against false advertising in the sales of rural subdivision lots. Already the Oakland-based owners of "Secret Valley Ranch," a 10,000 acre subdivision in the high desert of Lassen County, have agreed to pay a \$10,000 fine and to stop describing the barren boondocks property as "fertile valleys and sparkling water."

Under the agreement with the Attorney General, the promoters will offer full restitution of money and rescission of the sales agreement in case any land has been sold. The promoters agreed, as well, not to advertise until a Subdivision Public Report is issued disclosing the full facts regarding the land's description and value.

Their motive in signing the agreement may have been to postpone any court test of the "imprudent investment" argument which, if ever sustained in court, would seriously cripple the multimillion dollar boom in rural subdivision sales. Since then, General American Development Co. has paid \$100,000 in fines for "Glenshire," a project in Nevada County.

Recently the California Supreme Court ruled unanimously that an identified group of purchasers may sue to recover not only for themselves in fraudulent misrepresentations by the seller, but also for all other, similar, but unnamed purchasers.

In the Court's opinion, a class action can be taken against both the seller and the finance company to whom the contracts were assigned if the purchasers could show that similar false representations had been made to all of the purchasers.

The Court further recognized that "the protection of unwary consumers from being duped by unscrupulous sellers is an exigency of the utmost priority in contemporary society."

Many of the familiar practices and techniques used by land hucksters to stampede the hapless buyer into a purchase were made public in recent Assembly Committee hearings in Sacramento. Testimony was given by an ex-land huckster, Tom Woods, who ran what he termed, "a psychological sales unit," for developers of "Lake of the Pines," in Nevada County.

According to Wood's testimony, potential land buyers are duped in many ways into believing that they are getting in on the ground floor of a great investment future. He offered as an example the following sales ruse: the customer rides in a salesman's jeep and, while touring the property, hears constant chatter from the intercom radio about new sales and the vanishing inventory of lots. "Everything is planned to give the impression of feverish activity - the mythical impression of gigantic sales volume," Woods said the technique is widely used in the projects of Boise-Cascade, Inc.

Although such sales practices are clearly dishonest, prevention up until now has been virtually impossible. However, recent proposed legislation for tougher state regulation of promotional lot sales projects in California could halt many of these blatant practices.

Four bills, approved by the State Assembly, now await action by the Senate and Governor Reagan. These bills would protect lot buyers, the environment, and public agencies from the kind of subdivision development that collapses while its promoters skip town with the hefty profits.

Assemblyman Leo T. McCarthy (Democrat - S.F.), who has been instrumental in so many recent efforts for reform of land sales practices, authored the toughest package, Assembly Bill 1300, which would require a finding that prices in land projects are fair, just, and equitable.

The bill would also require distribution of an official public report on the subdivision to nearly anyone who visits a land project. In addition, the purchase contract could be rescinded within 30 days if the purchaser changes his mind.

Assembly Bill 1301 provides that a city or county cannot approve a final subdivision map that is inconsistent with official general plans. Assembly Bill 1302 requires a state agency to evaluate environmental impact of proposed rural subdivisions. Assembly Bill 1303 requires slow moving cities and counties to develop general plans, as required by state law since 1965, at the risk of losing gas tax funds for road maintenance.

These last proposals point to the unfortunate fact that state agencies and cities and counties often play unwittingly into the hands of land racketeers through their own lack of foresight and enforced planning.

As chairman of the joint subcommittee which investigated problems arising from the mass marketing of boondock properties to unsuspecting city dwellers, Assemblyman McCarthy is particularly interested in seeing that state controls are provided in Assembly Bill 1301 on the practice of "fouring" or quartering methods which unscrupulous land salesmen have devised to illegally split hundreds of thousands of acres of land into unsupervised, unplanned, and environmentally disastrous subdivisions.

The need for this proposed legislation for regulating subdivisions is dramatized in the recent news of luckless land investors in Contra Costa County. Authorities there sought several men charged with grand larceny, selling securities without a license, and conspiring to defraud buyers of desert land in Kern and San Bernardino Counties. This all came to a head after eight months of investigation into the operations of OPM Land Investment Inc., in Walnut Creek.

A civil suit accuses the land company of offering 10 acre parcels in Antelope Valley, then proposing to split the parcels into 4 lots of 2 1/2 acres. The company agreed to handle the resale of the 2 1/2 acre lots to other investors. In the meantime, the down payment on the 10 acre parcels were held in trust by the Olympic Escrow Co., which turned out to be a partnership of two of the land salesmen.

The suit also accuses the promoters of misrepresentation in offering the prospect of jobs as salesmen for those who invested in the 10 acre parcels - the jobs also never materialized.

In many cases of fouring divisions, buyers have discovered that these lots violate various laws and regulations and may turn out to be anything but profitable.

These controversial proposals are in danger of defeat by the immense lobbying power of the land sales companies, such as Boise-Cascade Co., Californians with an interest in land sales reform should write their state legislators to express their support for these bills.

These news developments point toward increased legislative efforts for reform and stiffer regulations governing land sales practices. The legislative process is an unsure and slow one and, considering the variety and extent of land fraud practices, the best immediate counterforce to land promoters is a highly informed and responsive public.

The success of these fraudulent land sales practices and the appeal of false advertising has been dependent upon the buyer's ignorance and the age-old American dream of land ownership. The Land Owner's Journal will provide the public with a comprehensive informational digest of land sales practices and developments and a forum for public opinion and discussion.

Letters to the Editor

Both of the following letters are written by members of the class suit filed against Meadowland Ranches, a land development project in Burns, Oregon. There are three suits filed against Meadowland and consolidated in one jury trial which will begin July 21 in the Oakland Superior Court. There are more than a hundred suitors grouped together in this court action. The suitors contend that Meadowland Ranch promoters fraudulently misrepresented the land parcels sold to them as fertile, grain growing land, when in actuality the land could only be used for grazing and was valued at a fraction of its selling price.

Dear Sir:

I have read your letters and know the truth in them. They lied about how wonderful and rich the soil was and that it would grow the best of crops and would raise gigantic vegetables and even showed picture slides to back it up, and two years later when I complained about the land being no good, they brushed me off by saying that the land was alright, it just wasn't being farmed right. I paid for the tilling and planting of two crops which I could not afford to lose on the strength of their false claims and will do anything I can to break up their swindle of elderly people like me who put all they had into what they thought would be their future retirement.

Sincerely,

Dwight Bradford
Sunrise Beach, Missouri

Dear Sir:

It is both amusing and tragic that things have turned out this way. My wife was against this from the start. However, after being wined and dined by the Promoters and their charming salesman she went along with me and we signed up. We were assured that this deal

would put our two boys through college in less than ten years...even if it were just left alone, not planted or cleared...just increase in value.

I bankrupted my personal savings and a few bonds with the down payment and two ventures at raising barley and rye. \$1200.00 was put into the first deal in the spring of 1963. This contractor went broke before the seed was hardly in. At harvest time there was nothing to harvest, or else I was not informed of conditions.

Some are reluctant to admit they were victimized, I am not. The Promoters and the well driller up in Burns that helped them in their lying should all be put in jail and our money...whatever can be salvaged returned. I think that they are a bunch of crooks. They trained their salesmen very cleverly.

I am in favor of forming a corporation of all the people that feel that they have been taken, make a report to the U.S. Senate, the State of California, and the Governor of Oregon. These people are worse than leeches and should be put out of business.

M.M.M.



January 25, 1972

Mr. Boren Chertkov, Counsel
Senate Subcommittee on Migratory Labor
Senate Annex, Room 201
Washington, D.C. 20510

Dear Mr. Chertkov:

I enjoyed sitting in on two days of the subcommittee hearings in California. The selection of witnesses reflects good homework in identifying a broad range of interests and viewpoints on the complex problems explored in the hearings. Would you please let me know when the subcommittee reports will be available and how to obtain one. Also, I gave away my only copy of Senator Stevenson's opening remarks. Would it be possible to get another, along with a copy of the list of witnesses, both invited and attended.

While listening to the testimony at the hearings, I was struck by the similarity between the issues covered by the subcommittee and those I had remembered from the enclosed California Tomorrow Plan. You may have already been exposed to the Plan. It suffers from overbreadth but, at the same time, it does skillfully organize the relationships between several key environmental problems common to the subcommittee's areas of inquiry. Note particularly figure 2 on page 4. Portions of Keith Roberts' and James Lowrey's statements at the hearings seemed to be carved directly out of the Plan. I wouldn't be surprised if either or both of them had a hand in drafting certain elements of the California Tomorrow proposal. In any event, I hope you and Senators Stevenson and Taft find the Plan of some use.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Richard C. Cunan', written over a horizontal line.

Richard C. Cunan
Assistant Secretary

RCC:mp

Enclosure

THE CALIFORNIA TOMORROW PLAN—A FIRST SKETCH

A plan for the future of California—its land, its cities and its people. A challenge, both to those who now wield power and to those who are critical of the "system": Are you making a better plan?

FOREWORD

This is a first, sketch version of a plan for the future of California—its land, its cities and its people. It is an attempt to deal, in a systematic, constructive way, with the many, varied problems before us. Public policy at the moment reflects no such process. Far from it. It deals with problems individually and separately, often at tremendous expense. But the total result is that the environment suffers and the quality of our lives continues to deteriorate. Perhaps this sketch plan can help to show that there is no reason to endure this situation any longer, that indeed it is quite possible to maintain a thoroughly pleasant environment for everyone while guaranteeing the utmost opportunity for personal initiative and fulfillment.

The close relationship of physical and social problems is well known. We have attempted to show how they can be met under a single, easily understood set of policies and goals. In preparing the sketch plan we have not felt bound by any established notions of what "planning" is supposed to be. Instead, we have attempted to determine what it must be, and to indicate why. But this is only a first, rough sketch, and cannot offer solutions to all problems, or answers to every question. It needs careful evaluation and criticism.

It also stands as a challenge, both to those who now wield power and to those who are critical of the "system": Are you making a better plan?

THE CALIFORNIA TOMORROW PLAN—A FIRST SKETCH

California Tomorrow is a non-profit educational organization dedicated to bringing to the public a greater awareness of the problems we must face to maintain a beautiful and productive California. California Tomorrow programs and publications attempt to illuminate those problems, and to discover ways of solving them.

Officers: Alfred Heller, President; William M. Roth, Vice President; Harold A. Berliner, Secretary; William Bronson, Editor, *Ory California*; William L. Kahrl, Administration.

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Membership in California Tomorrow includes a subscription to the quarterly journal, *Ory California*. A membership application is on the inside back cover.

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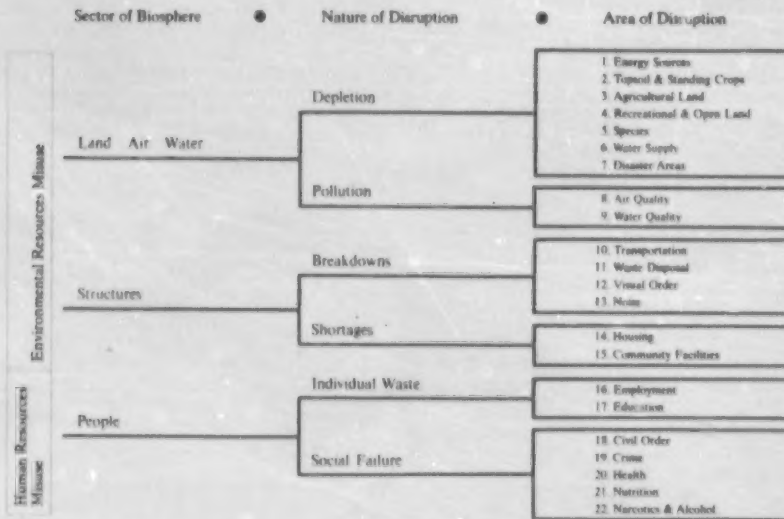
William M. Roth, Chairman, San Francisco Planning and Urban Renewal Association.

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CALIFORNIA ZERO

THE HARD TRUTH

We are misusing ourselves and our environment to the point where amenities are rapidly disappearing, life itself is threatened, order gives way to anarchy, and a relatively healthy social order becomes bankrupt, economically and morally. This is California Zero, the California of today. A way to perceive California Zero is taken by listing major disruptions which are besetting us. These can be divided into two major categories, "Environmental Resources Misuse" and "Human Resources Misuse," and further divided as appropriate to indicate functional sub-categories. (See Figure 1.)



Each disruption has been exhaustively researched and analyzed by others; we have synthesized some of the results.

The catalog of disruptions is long. However, it shows certain recurring themes:

We are wasting our physical resources at a frightening rate. Prime agricultural soils, groundwater, fossil fuels, wildlife, and many other resources are suffering ruinous depletion, pollution or destruction under the California Zero pattern of economic development.

Pollution of air, land and water is threatening amenity and at times life itself.

The inadequacy of urban structures, whether housing, transportation facilities or waste-disposal systems, reflects an urban pattern or life which has become increasingly congested, blighted, segregated, ungovernable and unsal-

vageable. The original amenities of suburban life are rapidly disappearing under the steady pressure of the destructiveness of development sprawl.

Not enough new jobs are being generated. There is an increasing percentage of people with nothing to do and no place to work. More and more people are losing hope. They suffer, in a society that still believes that individuals can and should solve certain difficulties which in reality are completely beyond their control. Lack of responsiveness in government has led to severe political alienation.

HOW DO WE SOLVE THESE PROBLEMS?

Our traditional way of coping with problems has been to attack them separately and individually with little consideration of interrelationships between one problem and another. Often this approach results in a worsening of the problems we are trying to solve. (See Figure 2.)

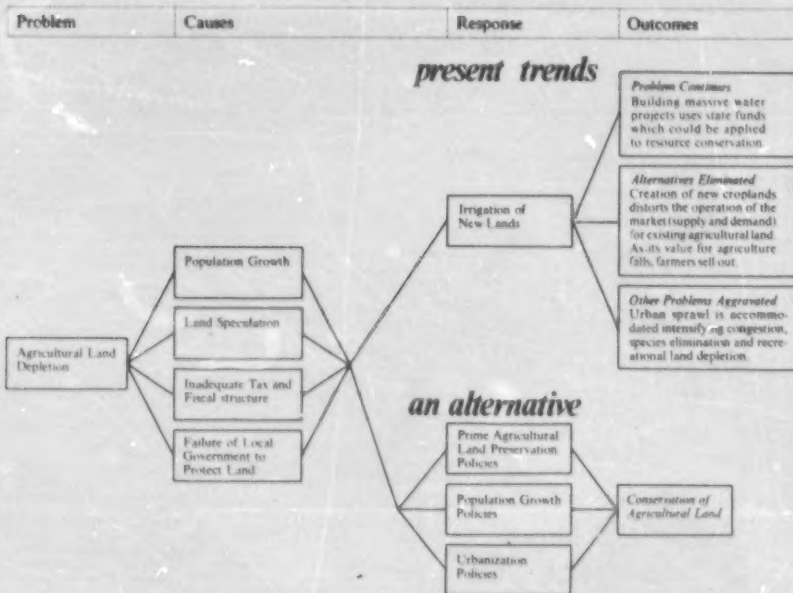


FIGURE 2. PROBLEMS GET WORSE UNLESS CAUSES ARE ELIMINATED.

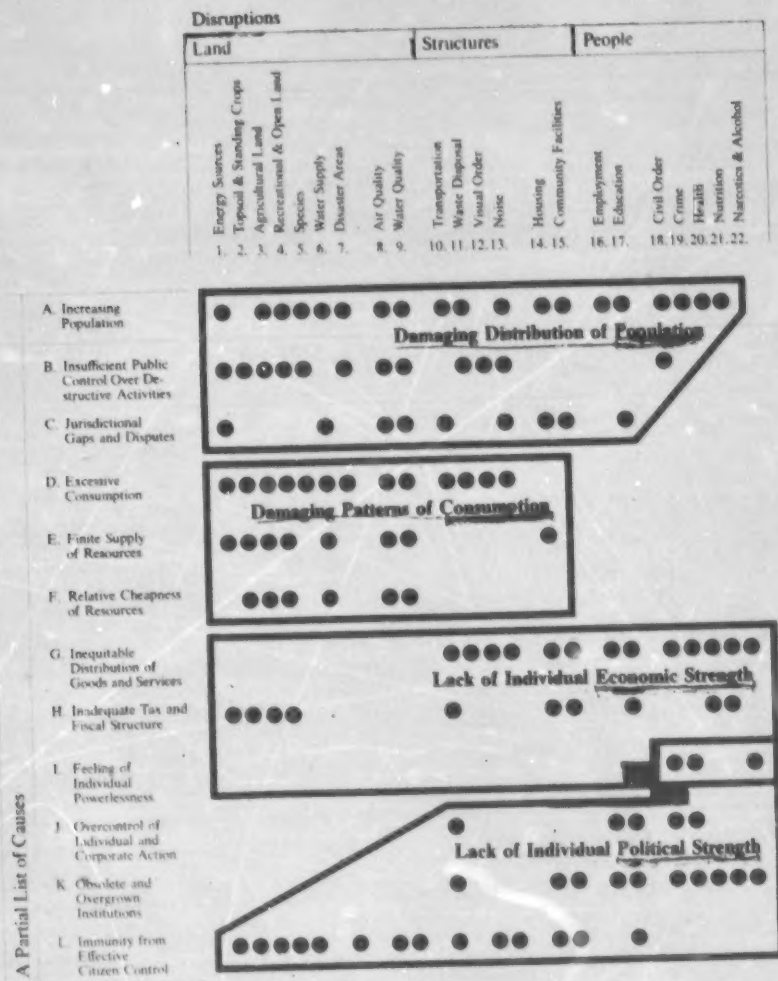
An alternative way of coping with major problems is to seek out interrelationships among them, and then to identify some common, underlying causes. Policy is then directed at underlying causes instead of symptoms. The sketch plan attempts to consider the potential effectiveness of both ways of coping with disruptions—that is, the cause-oriented approach and the traditional symptom-oriented approach. These approaches form the substance of the parallel narratives of California One and California Two. California One represents the symptom-oriented approach, California Two the cause-oriented one.

FINDING THE CAUSES OF DISRUPTIONS

In order to provide the basis for the California Two narrative, we had to discover underlying causes for disruptions. Our method was to begin by analyzing the nature of each disruption, and list what appeared to us to be its direct causes.

A list was compiled for each disruption. From these a master list of direct causes was prepared and refined. It became apparent that certain causes or groups of causes were recurring. A pattern of underlying causes emerged from the matrix of direct causes (See Figure 3.)

FIGURE 3. FOUR UNDERLYING CAUSES OF DISRUPTION EMERGE FROM THE MATRIX OF DIRECT CAUSES.



The pattern that emerged showed four basic underlying causes:

1. Damaging distribution of population.
2. Damaging patterns of consumption.
3. Lack of individual economic strength.
4. Lack of individual political strength.

All disruptions seem to spring from one or more of these underlying causes. There are some overlaps; however, in general, causes 1 and 2 relate most often to our misuse of environmental resources, and causes 3 and 4 relate most often to our misuse of human resources.

THE IDEA OF CHOICE

During the next five years, decisions will be made which will shape the growth and character of California to the turn of the century. The point to be made is the decisions *will be made* whether the public participates in them or not. We can all sit back and allow existing processes to turn California Zero into an untenable California One. Or we can consciously and deliberately make alternative choices. Alternatives are there for us to choose. The next section is concerned with the nature of these alternatives.

Two Choices for the Future

HYPOTHETICAL MODELS

There are virtually infinite numbers of choices available to us as we formulate goals, policies and programs in California in the years immediately ahead of us, and fashion the political and economic mechanisms to carry them out.

From a wide spectrum of possibilities we have outlined two *sets of choices*. We have limited ourselves to only two views of the future partially because of limited resources, but also because comparisons can be made more clearly within this relatively simple format. We have sketched out each set of choices in the form of a hypothetical model. The models are composed of political/economic mechanisms and policies. The way in which each model might operate is illustrated with descriptive narratives, including estimates of the future. Both are set in the same time frame—beginning in the early 1970s and ending at the turn of the century.

ASSUMPTIONS ABOUT THE FUTURE

California does not exist in a vacuum. Regardless of what choices are made in the state, there are certain exterior forces which we may assume will operate on any model of the future of the state. Some of our assumptions are as follows:

Despite a rapidly intensifying awareness of the dangers of unabated population growth, the worldwide population explosion will not diminish significantly within the next 30 years. Food and energy scarcities will create serious dislocations internationally, and to some degree within this country as well. By the year 1990, the population of California will have increased at least 10 million over the 1970 level of 20 million. This will happen even if the state effects a zero growth policy in the 1970s, because of the large number of women of child-bearing age in the population.

There will be a chronic shortage of capital in developed as well as underdeveloped countries. Its allocation in both the public and private sectors will become an increasingly difficult problem as competition for scarce capital becomes stronger.

The economy of the United States will remain essentially "mixed," even as government may assume a greater or lesser responsibility for economic planning and control.

The basic republican structure of the nation, namely a federation of states under the Constitution, will remain intact. However, new forms of government will be experimented with at lower levels.

Despite the emerging concern about the destructive aspects of technology, our society will remain very heavily dependent upon technological development.

As machines take over more and more of the work formerly performed by men, society will have to adopt some new, "post-industrial" values. Personal income should not be so closely linked to personal productivity. Leisure activities and avocational pursuits should tend to assume importance equal to that of the traditional career jobs. Education will become an even larger concern than it is today.

Human nature is going to remain human nature. The idealistic aspirations of youth will have a profound effect on the nature of our institutions and our actions. On the other hand, self-interest and avarice will not suddenly become obsolete.

Finally, we assume, with no great confidence, that in the next quarter century mankind will be able to spare itself annihilation.

CHARACTERIZING THE TWO CALIFORNIAS

In order to develop our two hypothetical models of the future, we developed a "matrix" in the form of a chart. Across the top we listed major environmental disruptions. Down one side we listed types or levels of government control which might be used to meet these disruptions in the future. Figure 4 is a simplified version of the matrix.

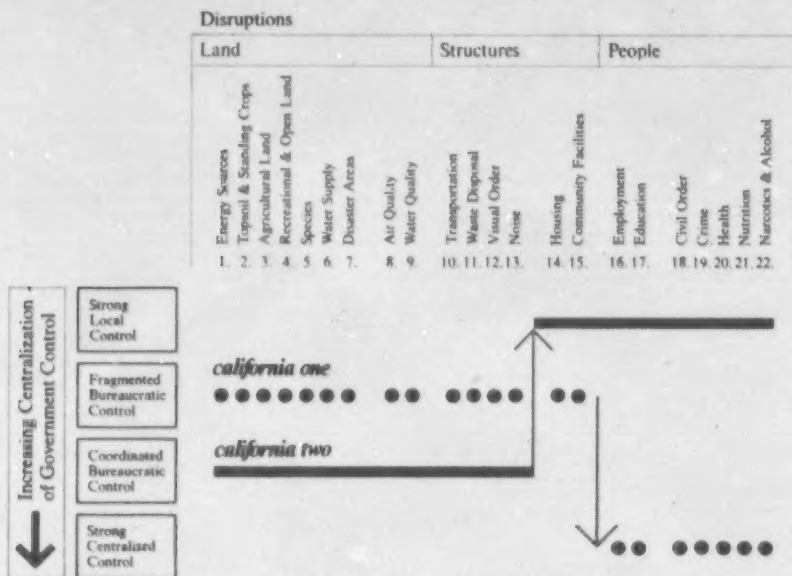


FIGURE 4. CHARACTERIZING THE TWO CALIFORNIAS: GOVERNMENT CONTROL.

At each intersection, we listed in some detail the kinds of policies and programs which a given type of government control was likely to apply to a given disruption. A great range and variety of policy alternatives was generated, from which we plotted the two projections of the future, California One and California Two.

Each projection has policy characteristics which are inevitably more complex than the "type of government" heading would indicate.

CALIFORNIA ONE

The first projection, CALIFORNIA ONE, assumes that current trends in government structure and policy continue.

Problems continue to be dealt with in a non-connective manner. Solutions are directed at individual elements within the system of disorder rather than to the system itself. Bureaucracies proliferate. Policies and programs continue in general to be executed by single-purpose agencies with relatively little attention paid to how they interlock with policies and programs in other problem areas.

Underlying causes of disruption are largely ignored. Policies and programs are designed to treat symptoms, instead. More often than not, a pattern of increased disruption occurs as remedies intensify the original disruption, aggravate other disruptions, and eliminate the possibility of alternative responses.

Wasteful patterns of resource consumption continue to characterize economic growth. Physical resources are managed largely to stimulate economic growth.

Public frustration with decisionmaking processes increases. Responsibility

for region-wide problems—providing transportation, adequate open space, waste disposal facilities, housing, tax equalization—remains divided and lost among weak local governments with narrow jurisdictions; distant, cumbersome state and federal governments; and countless single-purpose regional agencies. Neighborhood concerns fall by the wayside.

CALIFORNIA TWO

The second projection, California Two, offers alternatives to the current trends.

State, regional and local governments are restructured so that the planning process becomes connective. Interrelated policies and programs replace single-purpose ones.

Four central policies relating to the four underlying causes of environmental disruption guide to design of both government structure and operational policy. Programs no longer merely treat symptoms while ignoring root problems.

A new kind of economic growth occurs. Population levels are stabilized and the consumption of commodities, goods, energy, and space is selectively controlled, in order to maintain environmental amenity. The California Two model, which includes a high level of services provided by both government and the private sector, depends on a thriving economy. "amenity"—the pleasantness and attractiveness of our environment—becomes essential to public policy. Mere survival is not enough.

Interested individuals and groups become effectively involved in policy making and the execution of programs. The planning process is visible and accessible, and is no longer an opaque realm of technical expertise and political manipulation.

California Two is not intended as a formula for perfection, nor is California One without advantages. They are offered, however, as real alternative approaches to the future. They are not the only alternatives available. However, they illustrate how *sets of choices*, made now, can bring about different lives for ourselves and our children.

The next sections of the sketch plan divide into parallel narratives of California One and California Two. For each future, we first describe central, driving policies, and important aspects of political and economic structure. Then we describe typical policies of each California in three major action areas:

The Land/Structures/People

Finally, we estimate what life will be like in each California and discuss what actions are needed to achieve each of them. In order to discount our prejudices, we have been cautious in our projections. California Two, nevertheless, seems to emerge as an eminently preferable alternative and as such, constitutes the heart of this sketch plan.

CALIFORNIA ONE—DRIVING POLICIES

California One is conceived as a logical extension of California Zero. Problems of environmental and social disruption are largely met on an individual basis as they become visible and the public becomes alarmed about them. Although a great deal of attention is paid to "coordination" and "comprehensive planning," there is no clear framework for the making of public policy. The major operational divisions of government continue to establish many of their own goals, and to evolve their own policies based on these goals. The impact of one issue on another is often ignored. Frequently programs are in direct conflict with one another. Most significantly, the synergistic effect of interrelated action is lost.

At the same time, California One does not assume that the institutions and policies of California Zero have not changed. New and more effective governmental institutions and policies emerge in California One following the trends of the early 1970s. Nevertheless, as is shown further on, life becomes more difficult under this model.

The Governor's budget, prepared by the Department of Finance, is submitted annually to the legislature. The budgeting system employed tends to encourage uncoordinated, single-agency planning and programming. The Office of Planning and Research is unsuccessful in attempts to coordinate government functions through the budgeting process. Each affected agency appeals to its own "establishment," which in turn brings effective pressure to bear on the governor and his staff.

Elections are dominated by large contributors, and this pattern results in overwhelming political power for major economic interest groups. The individual is often hard-put to distinguish between the public and private sectors.

Regional level

Regional government is characterized by proliferating single-purpose agencies and tentative moves toward unified administration. In all major metropolitan regions there are single-purpose bureaucracies concerned with major regional responsibilities, such as air pollution, waste disposal, open space and parks, transportation, water quality, shoreline protection, housing and ports. The boards making policy in these bureaucracies are often appointive and immune from effective citizen control.

Voluntary associations of governments largely representing local governments are actively engaged in regional planning, and equally active in blocking anything except voluntary, local compliance with comprehensive regional plans. These associations were originally created in the early 1960s to forestall genuine regional planning and administration, and in California One they are successful.

Local level

Cities, counties and special districts maintain the power to make major land-use and development decisions, including those relating to housing development. Private developers subvert and bypass local ordinances and standards by gaining variances and zone changes from pliable local officials.

Economics—public expenditures

Revenues are allocated primarily to physical development projects (highways, water project, school construction) without a clear set of priorities involving their use to achieve state development goals.

Tax and fiscal policies

With few exceptions, taxes are designed for revenue, instead of as positive instruments of policy. Many state and federal loan and grant programs to local governments and individuals are not closely tied to environmental quality considerations.

Growth policies

The character of economic growth is determined primarily by the operations of the private sector. In some cases, government actions tend to encourage wasteful patterns of growth. Tax advantages available for capital gains on land, for example, result in the carving up of the landscape for speculative purposes. Government policies permit and encourage activities which heavily consume resources and energy.

The California Two model of the future is based on four major "driving policies." The four driving policies are addressed directly to the four underlying causes of disruption outlined on page 4, as follows:

California Two Driving Policies	Underlying Causes of Disruption
1. Develop a framework for settlement	→ Damaging distribution of population
2. Establish new patterns of consumption	→ Damaging patterns of consumption
3. Guarantee economic sufficiency	→ Lack of individual economic strength
4. Guarantee political participation	→ Lack of individual political strength

At the same time, the four driving policies can be combined to express one clearly articulated goal.

California Two Driving Policies and Goal	
Guarantee economic sufficiency	"To provide for maximum individual fulfillment...
Guarantee political participation	
Develop a framework for settlement	"... within an amenable environment"
Establish new patterns of consumption	

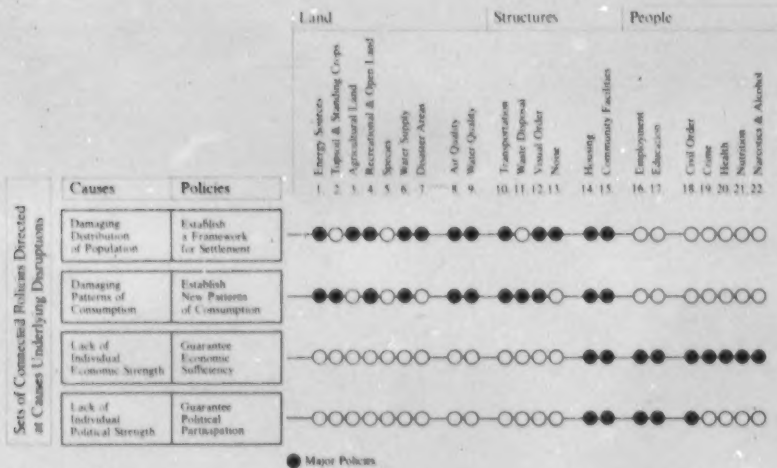
The goal of California Two is: "To provide for maximum individual fulfillment within an amenable environment."

FIGURE 6. CALIFORNIA TWO REMOVES PROBLEMS BY GROUPING POLICIES TO DEAL WITH CAUSES.

CALIFORNIA TWO—DRIVING POLICIES

The four driving policies operate in all areas of concern, whether the issues involved are physical or social. They form a common framework for developing and coordinating state policy so that, for example, policies concerning energy production, employment, and air pollution support and sustain each other.

The political/economic mechanism of California Two is designed to serve the driving policies. For example, opportunities for political participation (Policy 4) are enhanced by the institution of responsive governments at the regional and community levels and by new political campaign financing policies. Economic sufficiency (Policy 3) is improved by various means, such as providing an income floor for individuals and a system which will allow the public to expect that major regional improvement projects can actually be carried out and paid for.



POLITICAL-ECONOMIC MECHANISM

Government

An adopted state goal and its component driving policies form the basis for the organization and programs of government in California Two.

State level—the adoption of statewide goals by the legislature

The state legislature has declared and adopted certain driving policies for the operation of state government. They are essentially those which have been developed in this sketch plan to meet underlying causes of disruption. In simplest form, these driving policies can be expressed as a single state goal: "to provide for maximum individual fulfillment within an amenable environment."

To help carry out the driving policies, the state has established a State Planning Policy Council.

State Planning Policy Council

The council consists of eleven members. Exofficio members are the governor, who serves as chairman, and three members of his cabinet. The other seven members represent the general public. They are appointed by the Governor and confirmed by the Senate, in staggered four-year terms.

Public members receive salaries equal to those of the highest paid cabinet members.

Qualifications for public members on the Planning Policy Council are established by the legislature.

The State Planning Policy Council guides and directs a staff agency, the State Planning Agency, which performs the following tasks:

It prepares and updates annually the California Plan, which specifies long-term and short-term state goals, policies, programs and budgets.

The California Plan contains:

A Land section, including State resource conservation and use policies. A state zoning plan reflecting these policies. State population policies. "California standards" for environmental amenity.

A structures section, including State housing policy.

The state infrastructure plan, covering the location, design and construction of transportation, communication, water and energy distribution systems, and other public and private facilities.

"California standards" for environmental amenity to guide state, regional and local development and redevelopment.

A people section, including State employment, education and health policies.

Budgets: A 15- to 20-year state capital budget in accordance with the plan.

An annual state budget which consists of the next year's increment to the long-range plan.

The State Planning Agency also collects information and conducts hearings and studies to support its planning and budgeting responsibilities, and reports to the governor and the legislature on matters relating to state planning policy. Note: The State Planning Agency absorbs the budgeting responsibility formerly vested in the State Department of Finance.

The Governor

The governor receives from the State Planning Policy Council the annual updated version of the California Plan, including the budget. Guided by this, the Governor submits to the legislature for adoption his plan and budget, with appropriate explanation of any modifications of the original version.

The legislature

The legislature adopts an annually updated version of the California Plan along with the coordinated state budget.

Agencies

These agencies, following the pattern of recent years, are further streamlined into major functional areas and entrusted with carrying out the provisions of the adopted California Plan. An environmental protection agency, for example, combines all of the state functions responsible for the natural environment, and becomes the major enforcement agency in this area.

State regulatory agencies are reformed by legislation or constitutional amendment so that the state's driving policies and its adopted California Plan form the basis of the regulatory function.

Within the constraints of the California Plan, private industry continues to be the major factor in our economic system.

State policy is designed to give clear guidance to industry with regard to location, markets and unemployment.

Political campaigns

Statewide, regional and local campaigns of qualified candidates are financed to specified limits by public funds. Detailed information on all qualified candidates is furnished in official voter pamphlets.

The duration of election campaigns is limited to the 90 days preceding election day, with no public funds available to candidates who violate this rule.

Partisan local and regional elections replace the non-partisan structure of the past so that candidates at all levels can be associated with established party positions.

Regional level

The legislature has established multi-purpose governments for nine regions in the state (see map on this page) and assigned them responsibility and authority for preparing and carrying out comprehensive regional plans.



Regions of California (based on map adopted by the State Council on Intergovernmental Relations, February, 1970).

Regions in California Two vary in size and degree of urbanization. Each region has an elected legislative body, half of which is elected regionwide by a system of proportional representation. The other half is elected from individual districts within the region.

The regional executive function is performed by an executive branch directed by the elected leadership of the majority party or coalition of parties.

Each region coordinates the plans and budgets of its local units of government and oversees the federal, state and local agencies involved in its development program.

The regional branch is responsible for preparation of the regional plan and budgets, within the guidelines of the state plan and budget; and a regional development program, based on its plan.

Local level

So as to be able to participate in regional development programs, counties have been established as municipalities under the general laws of the state. Consequently, all of the state of California is under municipal government, either city or county. City services and state and federal municipal aid are thus available to all urban areas.

Responsibility for administering local features of health, welfare, and education programs, and basic responsibility for local physical planning options under the state, regional and municipal plans is vested in smaller units called

community councils. The geographic boundaries and specific forms of community councils vary in size and composition, as determined by the city or municipal county in which they are located.

Summaries of how the political structure of California Two works to carry out the State's driving policies are in each case under the heading "Driving Policy Four."

Economics—financing

Funding for the regional development program, as described above, is obtained partly from state and federal appropriations and grants. Most of it comes from loans made by a Federal Conservation and Development Bank which is supported by publicly subscribed bond issues. Federal loans and grants are contingent upon a comprehensive regional approach to physical development, conservation, and social concerns. For a brief discussion of the state's role in acquiring the needed federal assistance.

Each regional development program includes responsibility for integrated health, education and welfare programs; land and water conservation; development, distribution and reclamation of water; agricultural aid; urban planning; urban renewal and redevelopment; new cities and model cities; open space and parks; and pollution and abatement control. For each of its major areas of responsibility, regional government keeps an account, which includes all contributions, public and private, toward the goals of the program. Cost and benefit studies for each area of responsibility are prepared.

Analyses for all areas of responsibility are then combined, and costs and benefits are totaled, to arrive at a comprehensive economic feasibility analysis for the total regional development program. On the basis of this, the state seeks Congressional authorization of funds for the federal share of the program.

By this procedure, strong revenue-producing elements such as electrical energy production can support weaker ones such as schools or health-care facilities. There are low interest rates similar to those traditionally used in federal projects of the Departments of Interior and Agriculture, and long-term amortization periods. The total public share of yearly funding for a regional development program would undoubtedly exceed several billion dollars for any major metropolitan regions.

The state requires that all regional programs be approved by the legislature after it has heard the comments of the state planning policy council and held extensive public hearings. Following the legislative approval, Congressional authorization of funds for the combined regional development program is then sought through the governor.

The regional government assesses all property taxes in the region under state assessment policy. It uses a portion of these moneys for its own support, and allocates the remainder to the cities, municipal counties and other governmental agencies in the region on the basis of the regional budget.

An income floor is used to support individuals and families according to specific needs at specific times. It functions, for example, to remove the onus of periodic unemployment and to provide necessary levels of housing, health care, and nutrition to residents of the state. The program is federally financed and designed to give residents of all states equal status.

Tax and fiscal policy

The state tax structure is designed to use the collection of taxes to guide resource consumption and use the pattern of settlement, as well as to obtain revenue. Examples of California Two state tax policy are discussed herein.

The state works with the federal government to assure that federal fiscal programs and mortgage guarantee systems are designed so as to achieve state and regional development goals.

Comments on how the economic structure of California Two works to carry out the State's driving policies are under "Driving Policy Three," and in "Views of the Future—California Two."

THE LAND AND AIR AND WATER

Typical Problems

ENERGY RESOURCES

California's electric power demand double every nine years. Utilities plan new power plants to meet the projected needs. Most hydroelectric sources have been tapped.

New plans include construction of 15 potentially hazardous nuclear "burner" plants along the coast before the year 2000, even though there is no assurance that supplies of the necessary fuel (Uranium-235) will not be used up before all the plants are completed.

Supplies of oil and natural gas are limited and could be exhausted sometime after 2010.

To date, no effective "breeder" reactor (which would convert more plentiful materials into increasing amounts of nuclear fuel) has been designed.

Geothermal possibilities are not clear at this time. Much-discussed possibilities of harnessing such energy sources as solar radiation, the tides, and nuclear fusion are all in the dream stage and can't be counted upon.

Bituminous coal reserves are sufficient to fill energy needs for 200 to 400 years, but this resource can be used only at great cost in terms of the ravages of extraction or polluting effects or money.

Thermal pollution of rivers, bays and the ocean is a potentially damaging effect of increasing energy consumption.

SOIL

California loses tens of millions of cubic yards of topsoil every year unnecessarily. Among the causes of this loss are logging and watershed management practices in many watersheds, notably the Northwest; forest fires; cuts and fills from housing and road construction; and bad farming practices.

The buildup of salts from irrigation in the San Joaquin Valley and the Imperial Valley threatens agricultural capability.

The peripheral canal proposed for the California Water Plan will bring a threat of salt water intrusion to 50,000 acres of rich delta farmland.

AGRICULTURAL LAND

California's agricultural land is a unique resource because of the combination of long growing seasons, rainless summers, and deep alluvial soils.

Originally there were almost 8.7 million acres of prime (Classes I and II) agricultural lands.

Over two million acres of these lands have been urbanized. By 1980, another 650,000 acres of California's prime lands will be urbanized.

Certain crops could be driven out of production. Among them—brussels sprouts, artichokes and avocados.

All of this is occurring as the state and national demands for California products are growing, and an increasing world demand for food looms with catastrophic potential.

RECREATIONAL LAND

Existing recreational land of all kinds is subject to increasing public use. Demands for new destructive activities—dune bugging, mountain and desert motorcycling—pose additional threats to fragile lands.

Hiking in California has increased from less than 10 million participation days in 1955 to over 28 million in 1970, and by 1980 the total will be 40 million.

Camping has increased from 20 million participation days in 1955 to 48 million in 1970, and by 1980 the figure will reach 60 million.

Potential recreational land, especially near urban areas but also in unpopulated sections, is constantly subject to subdivision and development. There is no adequate state program to identify and protect such lands.

SPECIES

Since California became a state, six animal species have become extinct. (The grizzly bear shown on the state flag has been killed off in the state.)

Forty animal species are now classed as rare or endangered by the State Department of Fish and Game. These range from a tiny salamander, indigenous to the Santa Cruz area, to the San Joaquin Valley kit fox to the California condor, America's largest flying bird.

Private urban development and marsh land filling threatens several bird and reptile species; the use of pesticides seems to have doomed the California brown pelican and poses a danger to the American peregrine falcon and the Southern bald eagle. Public Agencies engaged in activities such as irrigation, reservoir construction and highway planning pose serious threats to several species of wildlife.

NATURAL DISASTER AREAS

Enormous areas of California are subject to fires, floods, slides, or earthquakes. Fires in metropolitan areas are virtually annual summer occurrences. In the fall of 1970, for example, more than 100,000 acres burned in Los Angeles County.

In 1969 over 200,000 acres of California lands were flooded. Programs for flood protection carried out by local agencies are spearheaded and largely supported by the Army Corps of Engineers and the U.S. Soil Conservation Service. The ready availability of engineering solutions to flooding problems does little to encourage appropriate land-use restrictions, including flood-plain zoning.

Landslides are endemic in many hillside areas of the state, yet zoning almost never takes this into account.

Extensive building continues on land especially subject to earth quake damage—fault zones, unstable hillsides, filled areas. The February, 1971, Los Angeles earth quake is merely the most recent reminder of this constant threat. An earth quake of the magnitude of San Francisco's in 1906 could kill tens of thousands.

AIR

Smog is now found in almost every populous area in California. This is true of all settlements of over 40,000 and in some cases of rural areas as far as 70 miles from cities. In Los Angeles County the state's nominal standards for certain pollutants are exceeded more than half the time, and in the city of Livermore more than a third.

In the Los Angeles basin alone, citrus crops annually suffer over \$33 million in smog damage.

More than 30 percent of the state's population suffers eye and respiratory irritation and aggravated allergies. Smog is a threat to health and life.

Automobile exhaust is the major contributor to smog. While efforts are being made to reduce emissions through exhaust control devices, substitutions of alternative forms of transit have been blocked by gasoline manufacturers, truckers, automobile clubs and others associated with the "Freeway Establishment."

WATER

Water pollution in the state is a combination of improperly treated domestic sewage, industrial wastes, and agricultural runoff.

While the major result is destruction of the aesthetic and recreational quality of the environment of the state, there are frequent episodes of contamination severe enough to cause serious illness and death. Even more frequently, pollution destroys the delicate habitat of aquatic life.

Virtually all major rivers, bays and estuaries are polluted. A good example is San Francisco Bay, where oyster and shrimp fisheries were long ago destroyed.

Oil spills and oil-well blowouts have developed as major pollution threats to our bays, beaches and offshore waters.

As construction of the California Water Plan proceeds, more and more environmentally damaging consequences appear. Northern California, particularly the North Coast, Delta and San Francisco Bay systems, are severely impaired or polluted because of adherence to original engineering concepts.

Drawing excessively on underground water tables has led to compaction and land subsidence which greatly diminish the land's potential for water storage and supply.

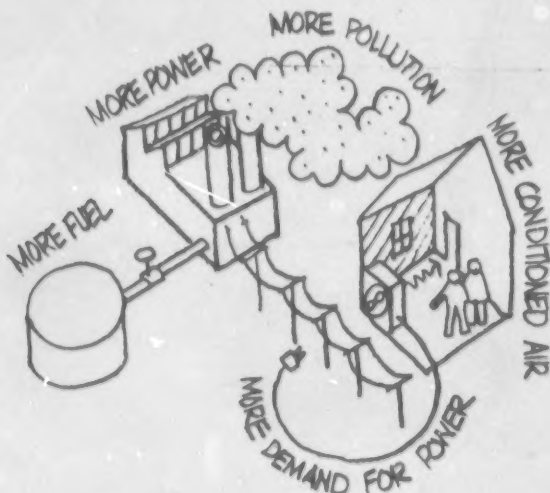
POPULATION

The pattern of increasing consumption of limited resources is linked not only to the nature of our economic growth, including increasing per-capita spending, but to a steadily growing population. California's population has historically doubled every 20 years, but current projections shown that in 1990, the population will reach about 30 million, only half again the 20 million of today.

CALIFORNIA ONE—THE LAND

*Typical Policies and Estimates of Results**Energy*

Energy policy is essentially determined by the major utility companies. Their projections show energy needs in 1990 as five times those in 1970. Their own advertising helps to make certain these projections are met. They build coastal nuclear plants and when those begin to run out of the U-235 that makes them run, there are "crash" programs to develop geothermal power, shale oil reserves, and the remaining fossil fuel reserves.



There are insufficient controls on energy consumption. Man is recklessly exploiting whatever fuels he can find remaining, in order to power the air conditioners which protect him from the atmospheres of his own cities.

Thermal pollution of air and ocean resulting from the production and use of power persists, even with the establishment of "temperature increment" standards for discharges.

Soil

State forest practices, regulations and enforcement are strengthened, and flood-control projects such as large lined channels are developed in forest areas, but forest soil depletion and siltation of streams continue because regulation of watershed management practices is not adequate.

Conservation policies are not adopted at any level of government which are adequate to prevent heavy erosion from cuts and fills in urban development areas.

Estuaries and the life they support are destroyed by silting with precious topsoil.

Agricultural land

The state continues to allow tax benefits to owners of agricultural land who agree to keep their land in agricultural use.

On the other hand, major statewide public works programs, fiscal policies, and tax programs continue to encourage urbanization of open space.

Open-space conservation commissions are set up in large urban regions to insure some breathing space for the people, but they cannot stop urban sprawl because they lack the means to purchase heavily pressured lands or scenic easements in sufficient quantities.



Square indicates the amount of open space lost to urbanization each year in California One. Nearly half the loss is prime agricultural land.

Recreational land

Pressures on state and federal recreational areas are intense and destructive, in part because of inadequate recreational lands at neighborhood and regional levels.

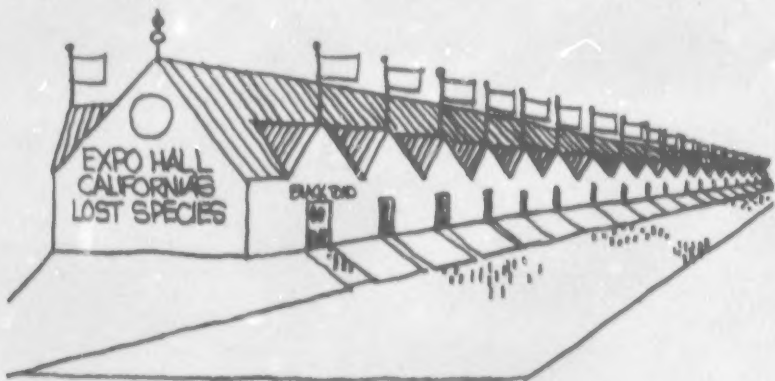


The state purchases some areas of public value such as beaches, redwood groves and small open spaces near cities. Purchase programs do not include major threatened open-space areas.

Species

Private conservation organizations work to purchase or persuade state and federal agencies to purchase habitats of threatened species.

The 21 species of California wildlife endangered in the early 1970s disappear. The 14 rare animal species of that period continue in carefully protected refuges of zoos.

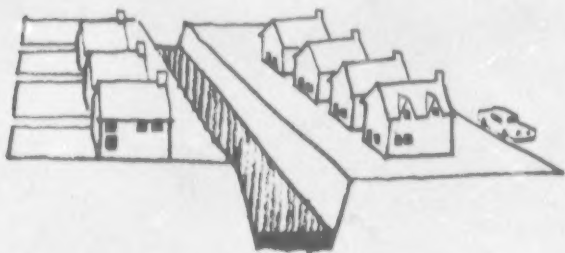


Exposition halls are built to show animated exhibits which simulate lost species and habitats

Natural disaster areas

Flooding is viewed as something to be controlled by engineering projects which channel and remove runoff. There is no policy of fire-area zoning analogous to flood-plain zoning. Seismic dangers are acknowledged by adoption of statewide standards in all building codes; and while state law requires a seismic section in all local general plans, there is no serious seismic zoning.

Flooding is viewed as something to be controlled



Much land which is susceptible to one or more natural disasters is developed.

Air

Two components of California One air-quality policy are motor vehicle exhaust-emission standards established by the state legislature, met by control devices; and pressure applied by regional air quality control boards on industrial polluters, often forestalled by complaints of economic hardship. Alternatives to the chief source of air pollution, the internal combustion engine, are steadily but slowly pursued by government and industry.

There is a slight drop in pollution levels in major metropolitan areas between 1970 and 1980. Then the improvement gained from reduced pollution per vehicle is lost because of the increase in vehicles.

Water

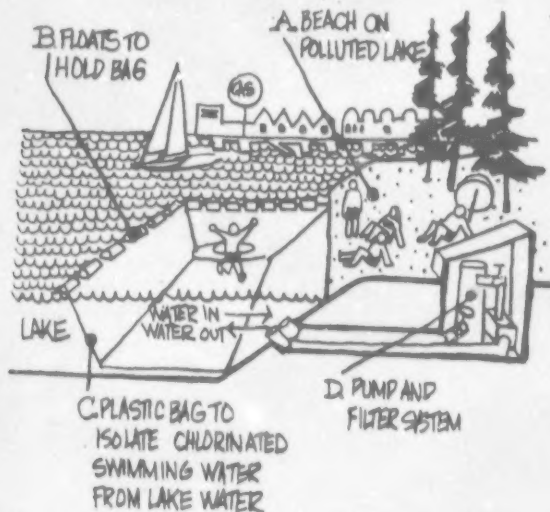
The state continues to assume that water supply is a service that must be provided to match growth and development, rather than a device for directing the distribution and extent of such development. Recycling of waste water and desalination of sea water are utilized only when costs of the existing demonstration plants make those sources cheaper.

The state continues toward completion of the California Water Project. The North Coast is obliged to furnish both water and storage and loses its best land in the process.

The Peripheral Canal is constructed without any solid guarantee of maintenance of minimum outflow through the Delta. The ecology of the Delta and Suisun Marsh are destroyed. Farming in the Delta becomes marginal. San Francisco Bay pollution increases.

There is limited progress in controlling pollution as the state's water-quality administration denies hookups to overburdened systems. In spite of this, and federal pressure to crack down on polluters, major waterways remain badly polluted.

Stricter controls on oil spills are written, and clean-up technology is improved. Catastrophic spills continue because of doubled volume of oil shipment and the use of enormous tankers.



Swimming arrangements: King's Beach, Lake Tahoe.

CALIFORNIA TWO—THE LAND

Typical Policies—California Two Policies For The Land Are Grouped According to The Four Driving Policies of The State.

DRIVING POLICY ONE—DEVELOP A FRAMEWORK FOR SETTLEMENT

Basic state responsibility: The state assumes and declares in the California Plan its responsibility to protect the land, air and water of California from destructive or wasteful use, and to maintain the beauty and productivity of the natural environment.

State zones

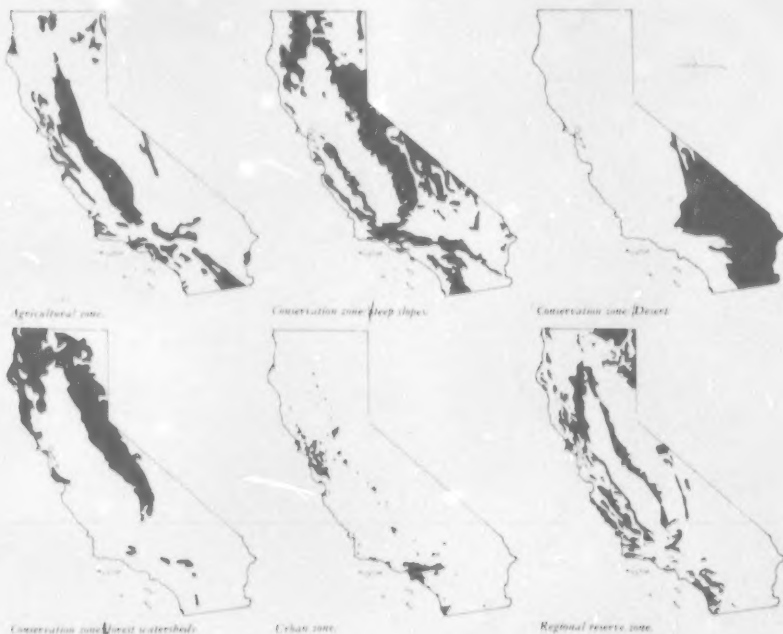
State zones are established according to the adopted California Plan. They define, in general, which areas may be built upon and which may not. They protect the state's most valuable open lands, including prime agricultural soils, and effectively check urban sprawl. There are four state zoning categories. All the lands of the state are placed in one of the four zones. The four zones are:

Agricultural. The state's finest, most productive agricultural lands (Class I, Class II, and some Class III) are included in this zone. They are classified as non-buildable, or conditionally buildable at a density no higher than one unit per 25 acres. This zone is administered by the state through its environmental protection agency.

Conservation. The conservation zone includes lands which are ecologically, scenically, or historically important recreational areas of exceptional quality, or the preserves of threatened or unique animal or plant species. Fire, flood, erosion or earthquake hazard areas, open water, shorelines, aquifer recharge zones, and areas within which infrastructure elements will be placed (see next section) also fall in this category. In the conservation zone, lands are classified as non-buildable, or conditionally buildable under strict controls which protect the specific qualities of the land which the zone is established to safeguard. Conservation lands are state-administered and protected mainly by zoning, but also by outright purchase or less-than-fee purchase. Note: the long-range state capital budget and the annual budget, both adopted annually as part of the California Plan, take into account the state's responsibility for land management.

Urban. The zone includes lands which do not fall in either of the first two categories and that are either suitable for urban development or have already been urbanized. Lands in this zone are administered by the regional governments, according to state standards and their own respective regional plans.

Regional reserves. Lands which do not fall within any of the first three categories are zoned as regional reserves. They are administered by the region and are a key to flexibility and variety in regional development. Within the standards of the California Plan, the regions may plan to develop them at high densities, keep them largely as open space, or use them for a variety of public and private purposes.



ALL OF CALIFORNIA'S 100 MILLION ACRES ARE ACCOUNTED FOR UNDER THE FOUR STATE ZONES: AGRICULTURE, URBAN, CONSERVATION AND REGIONAL RESERVE.

California standards

The California Standards are state-wide "amenity" standards which control the use of land, air and water so as to guarantee not only a safe but also a thoroughly enjoyable environment.

The California Standards are part of the California Plan, and govern programs of state, regional, and local government, and the private sector. State approval of regional programs is contingent upon the ability of the region to meet these standards through its comprehensive plan and program.

Examples of California standards

Air quality. The regions of the state must maintain a level of air quality higher than that required for public health and safety alone. It is defined according to the Ambient Air Standards adopted by the California Air Resources Board in November, 1970. Under these standards, air in the south coastal region is returned to 1942 quality; air in the Bay Area is returned to 1950 quality.



Regional plans establish controls to meet state air-quality standards for all air basins.

A typical regional plan carries out the standards by establishing limits on the location, number, and use of specific pollution sources such as automobiles, industries, commercial establishments and homes. These limits are based on computations of the specific carrying capacity of the regional air basin in terms of ambient air standards, daily emission loadings, size of air mass at times of inversion, and ventilation rate as determined by wind velocity. As the quantity of pollutants emitted from one of the sources diminishes due to technological advances, the limits can be adjusted.

Water quality. This standard is a commitment to high water quality for all state waters, both fresh and salt. Like the air quality standard, it is designed to provide for an amenable environment, not merely a minimally safe one. It results in clean clear waters throughout the state.

The standard requires that where wastes are discharged into waters, fresh or salt, surface or underground, the wastes must meet the standards set for such waters.

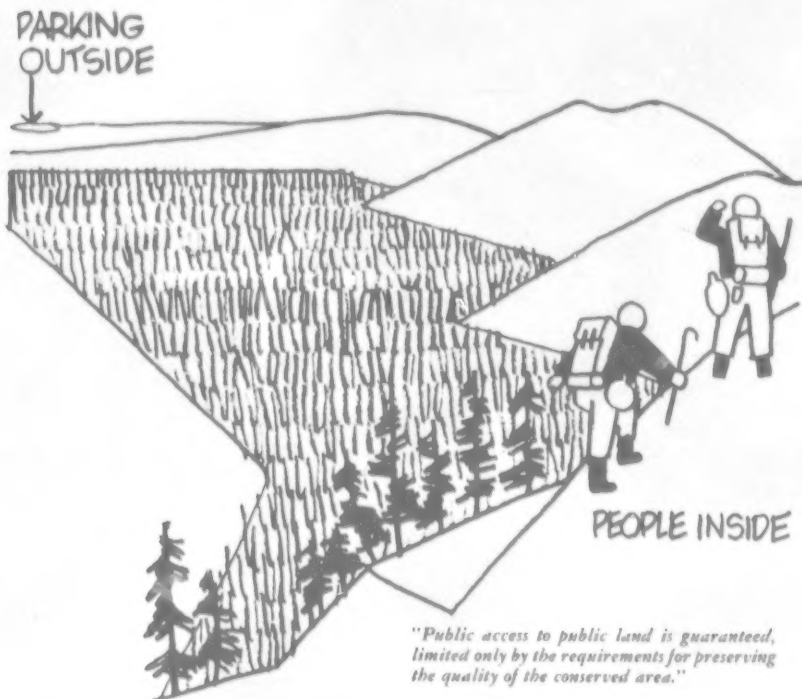
The minimum standard for water in the state conservation zone is Class B under Federal Classification and Standards for Interstate Waters, published October 1, 1969.

Waste waters percolated into the ground may not contain toxic substances in excess of accepted drinking water standards. All taste and odor producing substances must be removed prior to discharge. The discharge may not contain

nitrogen or nitrogenous compounds in amounts which could result in nitrate concentration in groundwaters above 45 milligrams per liter. In all basins known to have an adverse salt balance, the salt content of the discharge may not exceed that which normally results from domestic use—and may in no case exceed 500 mg/L.

Pesticides. No chemical poisons of any kind may be marketed until the manufacturer has demonstrated conclusively that the short- and long-range effects of their use will not damage the ecology of the state. The final judge is the state environmental protection agency, working through the state health authorities.

Recreational land. Public access to state owned land is guaranteed, limited only by the requirements for preserving the quality of the conserved area.

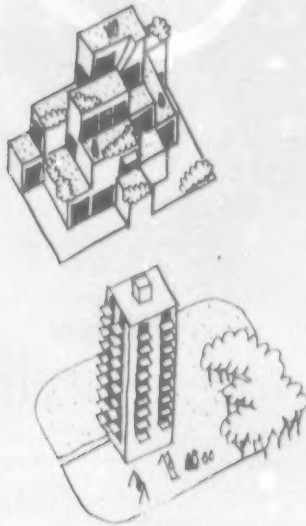


Minimum open-space standards for recreational lands are established for the regions. The basic state standard is 15 acres of public open recreation space per 1,000 population within 40 miles of population centers.

In addition, the state requires five acres of distributed green space per 1,000 people within the jurisdictional boundary of each community council. At least half of this must be public open space, available to all.

Requirements for regional plan

Each regional plan must include a Land section, with detailed, comprehensive plans for urban and regional reserve lands. The regional budget takes these plans into account.



Minimum requirements for "distributed green space" are established by the state and carried out according to local preference.

DRIVING POLICY TWO—ESTABLISH NEW PATTERNS OF CONSUMPTION

Consumption policies concerning the use of land, air and water are effected primarily through state population policy and through economic devices such as assessment practices, taxes and user fees. Because of their nature some of these policies depend on federal as well as state action.

The population policy affects the numbers of consumers, while the economic policies in this section affect what they consume by discouraging wasteful use of limited resources. The economic policies have the incidental effect of raising revenue.

State population policy

The State aims for a stable population. Such a policy, adopted in the early 1970s, results in a leveling off of the state's population at 30 million people by 1999.

A population level of 30 million is not a goal. It is merely the result of a prudent first step toward placing some rational limits on the number of people who can live amenably on the land of California. The optimum stable population for California may be determined to be considerably lower.

To achieve its population goals, the state adopts policies such as the following:

Income tax exemptions are limited to two children for state returns. The California legislature and the governor also urge the federal government to adopt a similar provision for federal income taxes.

Abortion is considered a medical matter, to be decided entirely between a woman and her physician.

The State supports informational services in regard to birth control.

To control in-migration: The state of California presses the federal government to devise equitable and Constitutional means to stop in-migration from putting undue strain on the institutions and amenities of the states. California recommends that each state be authorized to establish a "capital investment fee" of \$1,000, to be charged to each new resident and collected in installments on a schedule related to income, as part of the state income tax process. This

helps pay for the improvements and services which are provided for all new residents of California and discourages excessive in-migration.

Research into optimum population levels is conducted by the state planning agency, working into the regions, to determine how many people can live in reconstructed settlements and how many should be planned for in new ones.

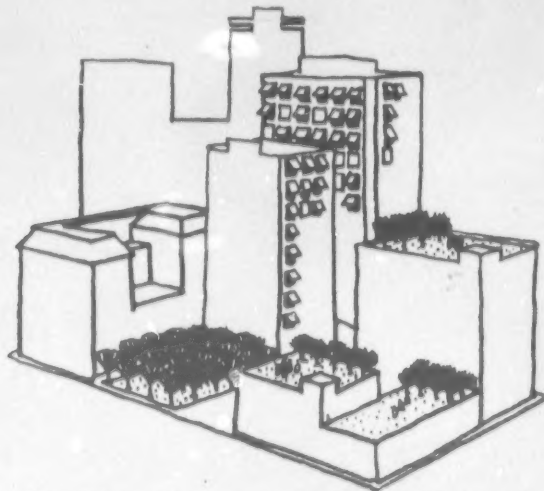
Taxes, fees and fines

Tax policies. Land is assessed for tax purposes according to its use; and not according to its potential for development. Thus, land which is zoned for agriculture or conservation cannot be diverted into urban use by market pressures merely because it is assessed according to some assessor's idea of its potential for development.

Elimination of capital gains tax relief. Buyers of raw land are no longer able to take the capital gains benefit on their profits when they sell. This outdated provision in state and federal tax law encouraged the most destructive kind of land speculation and development. It is eliminated in California Two by a change in state income-tax law and a similar change in the federal law, brought about through the aggressive initiative of the governor and the legislature.

Horsepower tax. Above a minimum standard of 65 horsepower, a graduated horsepower tax is imposed on each automobile. This effectively cuts fuel consumption and pollution.

Electricity tax. To discourage undue depletion of energy resources, the state levies a tax on consumption of electricity by consumers. Average consumer consumption levels are set, varying with the time of year and size of household. Above these levels, taxes are levied in a graduated manner.



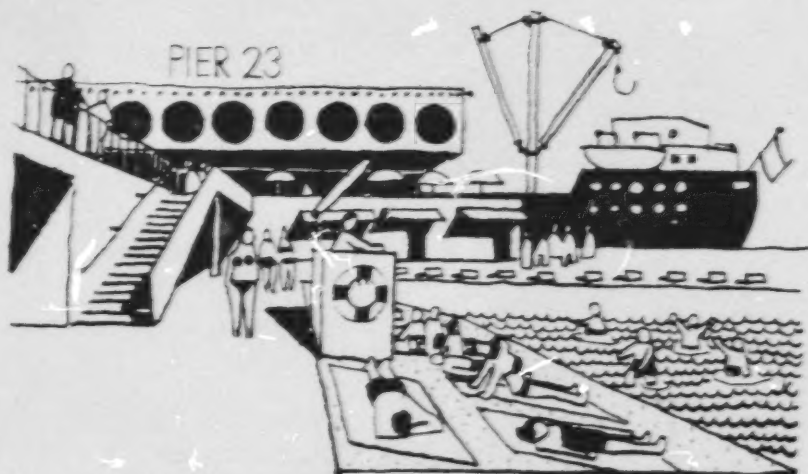
Operating windows and roof gardens substitute for air conditioners as a result of limitations on energy consumption.

In addition, the legislature requests Congress to establish a federal tax on excessive industrial consumption of energy resources.

Oil depletion. The state substitutes a depletion tax for the oil depletion allowance, and calls for a similar federal tax policy. The cost is passed on to users, which encourages lower consumption of this resource, less pollution, and the development of alternative energy sources.

Water use

Interbasin water transfers are no longer permitted in California simply to sustain population growth or increased consumption in watershort areas. Any inter-regional exchange is contingent on programs of desalinization, total reclamation, and recycling. The total costs of developing and transporting water are charged to its users.



The state's water-quality standards result in clean waters.

Pollution fees and fines. If waste dischargers do meet the air and water quality standards outlined above, they are charged a fee for use of the air or water resource as an incentive toward zero emissions.

If waste discharges do not meet air and water quality standards they are subjected to fees and fines ranging from \$1,000 to \$100,000 per day.

Changes in assessment techniques and introduction of the new taxes and user fees begin to alleviate both depletion and pollution problems. Prime agricultural lands are not forced by high taxes into development, the demand for all types of fuels and other resource materials is reduced, and intra-region water development is emphasized over destructive interbasin water transfer. Air and water pollution diminish as economic sanctions are applied to dischargers, be they individuals, corporation, or institutions.

Strong enforcement by the state environmental protection agency of rules and regulations pertaining to environmental quality is an essential component of the California Two model.

DRIVING POLICY THREE—GUARANTEE ECONOMIC SUFFICIENCY

Policies in this category are discussed in some detail in the Structures section and the People section. They are designed particularly to protect the economic interests of individuals, and the ability of society to pay for its conservation and development goals.

Just compensation

Owners of land in high-impact areas, subject to immediate development but designated for preservation by state and regional planning decisions, receive "just compensation" under the law. This may be in the form of outright full purchase payment for the land, or payment in less-than-fee for development rights or scenic easements.



Agricultural settlements

Agricultural and conservation lands may be granted for use to persons who wish to establish settlements that demand only modest change of the land, and guarantee intensive agricultural and conservation efforts.

DRIVING POLICY FOUR—GUARANTEE POLITICAL PARTICIPATION

The political structure of California Two is designed to achieve the goal of "maximum individual fulfillment within an amenable environment." Resource conservation and use policies as laid down in the California Plan are developed on a direct line from the public to the governor, the state planning policy council and the legislature. If the public does not like these policies it can vote in a new governor. The new governor will immediately control four of the 11 members of the Planning Policy Council (three agency heads and himself) and will gain majority control in due course. However, the holdover public members of the council from the previous administration protect the council and its staff arm, the state planning agency, from rash changes of direction.

Campaign financing and other electoral provisions in California Two help to protect the public from having to choose between major candidates, all of whom are dominated by economic interests, whose primary concern is not the quality of the land, air, and water of California.

The composition of the regional legislatures requires representation of this level by district and also according to a proportional system which gives voice to minority viewpoints. The regional plan is created and carried out by the regional legislature. The creation of community councils, meanwhile, allows local government to provide better representation at the neighborhood level; and the councils constitute a legitimate and authoritative local viewpoint which must be taken into account in the regional plan. The strong guidelines of the state plan keep local interests, however, from excessive consumption and pollution of the state's land resources; and the flexibility available to each region in working out its comprehensive plans allows for innovative land conservation measures in areas zoned both urban and regional reserve.

Policy decisions concerning the land have a profound effect upon the way of life and the livelihood of every individual in the state. Open and more representational political processes do not eliminate conflict, but they do provide the means for accommodating the diverse population in our highly pluralistic society. Without these processes, political disaffection and social alienation grow. With them, a workable if not always harmonious forum is created.

STRUCTURES

Typical Problems

HOUSING

California is short of standard housing: We need 500,000 new units today, as well as several hundred thousand rehabilitated units. In 1969, 161,000 con-

ventional units and 28,000 mobile-home units were built in the state. Available conventional housing is too expensive for most buyers.

Median income in the seven Southern California counties and the nine Bay Area counties (which together account for over 80 percent of California's population) would indicate a need for an average house price of about \$19,000. The average price of a house in these counties is closer to \$27,000.

More homes are being built for the \$35,000-and-up market than for the under-\$20,000 market.

The poor, concentrated in central cities and rural areas, have little chance to attain better housing.

Urban renewal displaces more people than it accommodates, most of them poor.

Programs for housing farm workers require employer or local participation, which is not ordinarily available. Most farm workers live in inadequate housing.

Two and one half million new units are needed in the 1970s to fulfill the projected demand. At present construction rates, new housing units will actually be 725,000 below the need.

TRANSPORTATION

The talk is all of transit; construction money still goes to accommodate the automobile—annual cost: nearly \$1 billion.

The effects of total reliance on the automobile—congestion, preemption of land, pollution, destruction of neighborhoods and landscape, urban sprawl, extremely high public and private costs—are well known.

About 25 percent of Californians, including members of families without cars, the poor, the aged and those too young to drive, are especially disadvantaged by the emphasis on a single mode of transportation.

Inter-city passenger rail transportation has atrophied, and the airways are crowded, thus adding to the growing dependence on the freeway-only solution to transportation demands.

SOLID WASTE

Solid wastes produced in California every day average over 20 pounds per person if one counts all wastes—municipal, industrial and agricultural.

Disposal of municipal wastes is generally handled at the local level by each municipality and county. Responsibility for industrial and agricultural wastes continues to be left to individual establishments. Government accepts responsibility only for municipal wastes.

There is no organized system of management for most agricultural and many industrial wastes. The effects are polluted water, smells, ugliness, ecological disruption, threats to health, and reckless waste of natural resources.

NOISE

Noise is getting worse all the time—by approximately one decibel a year. It causes loss of hearing and sleep, interferes with relaxation and thought, creates stress, and destroys the serenity of the out-of-doors.

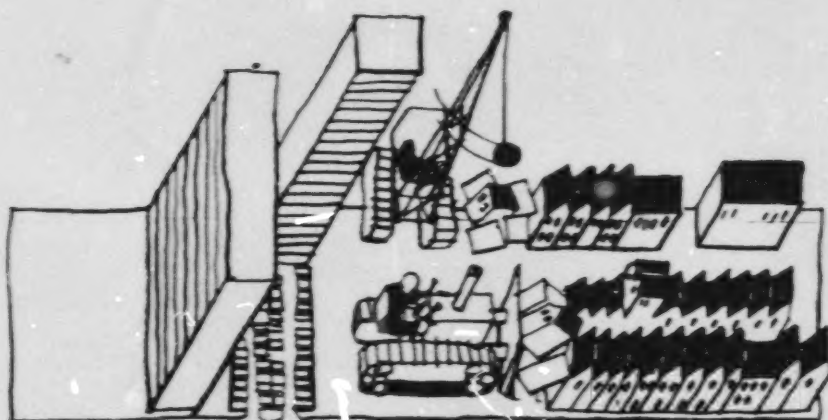
There are not meaningful noise controls over the sources which bother people most—trucks, motorcycles, planes, automobiles, and construction equipment.

CALIFORNIA ONE—STRUCTURES

Typical Policies and Estimates of Results

Housing

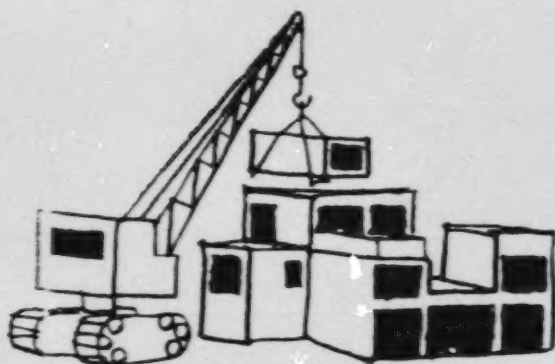
The state takes limited action. Cal-Vet loans, which aid three percent of the population, continue. There are loan funds for low-income housing developers.



"Urban renewal displaces more people than it accommodates, most of them poor."

Federal programs are reformed, revised, consolidated. There are continued rent supplements in one form or another; partnerships in urban renewal or model neighborhood projects; programs to find new construction techniques and new materials; reforms of building codes.

All federal and state, local and private efforts result in failure to meet California's housing needs. By 1990, current trends have culminated in a housing deficit of 2.7 million units in California.



New construction techniques are encouraged and applied to small areas and individual buildings rather than to meeting large-scale community housing problems.

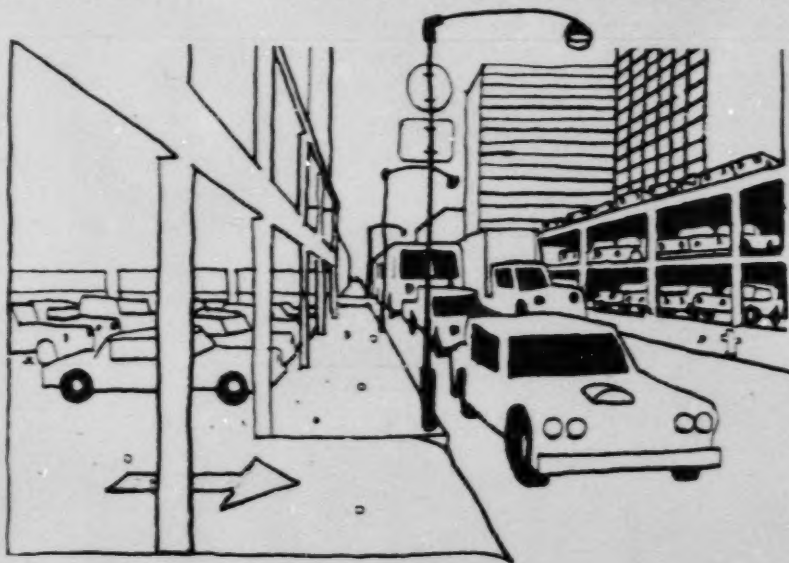
Even so, parks filled with mobile hometype dwellings cover the fringes of metropolitan areas. They are placed close together, row upon row. The parks deteriorate along with the dwelling units into new suburban slums to complement the growing urban ones. Housing demonstrations and rent strikes, commonplace in the 1970s' give way to serious disorder as the problem gets worse.



"Huge parks filled with unit-construction, mobile home-type dwellings cover the fringes of metropolitan areas."

Transportation

Federal freeway funding continues at a high level. New funds become available for transit, special bus lanes, and shuttle buses. Support of automotive transport, however, prevails well into the 1980s, and highway interests succeed in promoting an increase in gas taxes to meet freeway construction schedules.



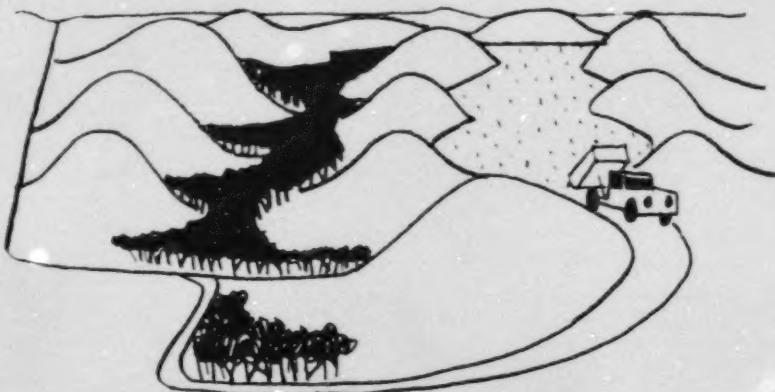
Downtown shopping, rejuvenated briefly in the second generation of "enlightened" urban-renewal projects, begins to decline. The problem of comfortable, convenient access has never been solved, because of continuing dependence on auto travel in the city.

Limited rapid-transit systems are built in Los Angeles and Sacramento, and San Francisco expands the Bay Area Rapid Transit System. North-south passenger rail travel is improved by federal action.

By 1999 there are 23 million automobiles in California. Smog remains a condition of life.

Solid waste

Regional disposal districts are created to handle municipal wastes. Disposal is often by land fill in distant locations. Industries and farmers may or may not join, at their own option.



Solid waste disposal procedures bury otherwise recyclable resources and disrupt the landscape.

Limited recycling of glass, paper and metals such as aluminum and iron becomes an adjunct of the disposal process. Large-scale reuse by manufacturers requires subsidies, which are slow in coming.

No comprehensive programs of solid-waste disposal are developed which embody the principles of conserving resources and preserving the environment.

Noise

Allowances are granted residents and owners for soundproofing dwellings located under the approach cones of airports.

Limited-use zoning is enacted by some local governments in the noise afflicted areas adjacent to new airports and freeways.

CALIFORNIA TWO—STRUCTURES

Typical Policies California Two Policies For Structures Are Grouped According to the Four Driving Policies of the State.

DRIVING POLICY ONE—DEVELOP A FRAMEWORK FOR SETTLEMENT

Effect of land and population policies

Major policies of California Two relating to the land and people provide part of the framework for the man-made structures of the state. The state zoning plan, for example, indicates many places where building cannot take place; the California Standards for environmental amenity and the state population policy establish firm guides for regional development.

State infrastructure plan

The infrastructure is the movement network of people, goods, water, wastes, energy, and information. It includes freeways, roads, power plants, transmission lines, dams, aqueducts, bridges, transit systems, seaports and airports.



Residential renewal programs emphasize restoration rather than destruction of older structures.

This plan locates sites and corridors for these components in keeping with the provisions of the California Plan, including the state zoning plan, and the desires of the various regions. Thus, major influences on urban growth, such as transportation facilities and aqueducts, become tools to effect state development goals.

The state also sets detailed design standards for the parts of the infrastructure which are interstate or inter-regional in nature, such as trunk freeways or a new North-South high-speed rail line. It sets forth its responsibility for the financing and construction of these components. The design of the infrastructure parts which are intra-regional in nature is left to the discretion of the regions.

California standards

Following are examples of amenity standards having to do with structures:



The state builds a North-South high-speed rail line in keeping with the state infrastructure plan.

Housing. The state assumes and declares its responsibility for assuring decent housing for all the people of the state. Regional plans and development programs must reflect a thorough commitment to this policy.

Minimum amenity requirements for housing are developed to complement the more conventional statewide construction standards dealing with basic health and safety.

Noise. This standard is a commitment to keeping noise at levels not merely tolerable but amenable.

The following are established as maximum outdoor sound levels:

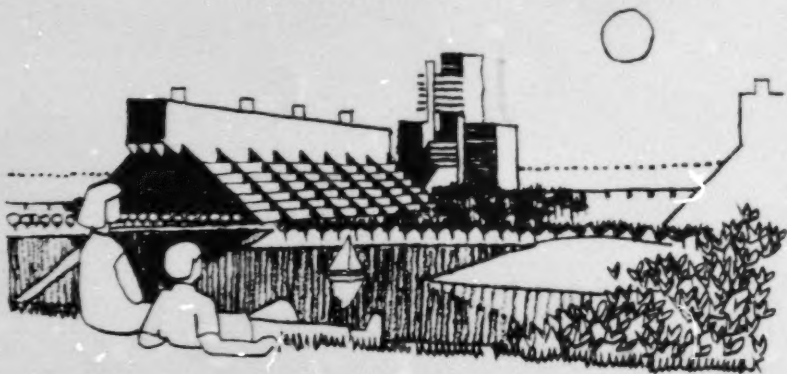
Type of Environment	Maximum Background Noise	
	Day	Night
Residential	60 dbA	50 dbA
Commercial	70	70
Recreation		
Wilderness	35	25
Relaxation	45	35
Sports	60	50

(The dBA unit is on a decibel scale weighted to the frequencies heard best by the human ear.)

The state also establishes maximum levels of noise for major noise sources such as motorcycles (75 dbA), cars (70 dbA), trucks (75 dbA), planes (80 dbA), and construction equipment (compressors, air hammers, pile drivers, etc.), all measured at a distance of 50 feet.

A typical regional plan insures region-wide adherence to the outdoor sound standards by controlling the distance between noise sources and places of residence, recreation, schools, etc. It establishes buffer areas, for example, adjacent to freeways and airports.

Open space. Every dwelling unit or group of dwelling units is required to provide minimum amounts of open space or recreational area, in keeping with California Standards specified in the previous section, "The Land."



"The infusion of open-space recreational areas into every community, under state and regional standards, helps to make the city a good place to live, instead of a good place to get away from."

Access. Maximum time periods are set for travel between any residence and certain essential community facilities. For example, ten minutes to a neighborhood store or a local park, 25 minutes to a central business district, 15 minutes to a neighborhood health facility.

These standards foster the development of multi-mode public transportation systems. They work toward equal access for all citizens.

Requirements for regional plan

The regional plan must include a Structures section in keeping with state policy for structures, with detailed development plans for urban and regional reserve lands. The regional budget is linked to these plans. The State Planning Agency monitors the emerging development plans of each region.

Driving Policy Two—Establish New Patterns of Consumption

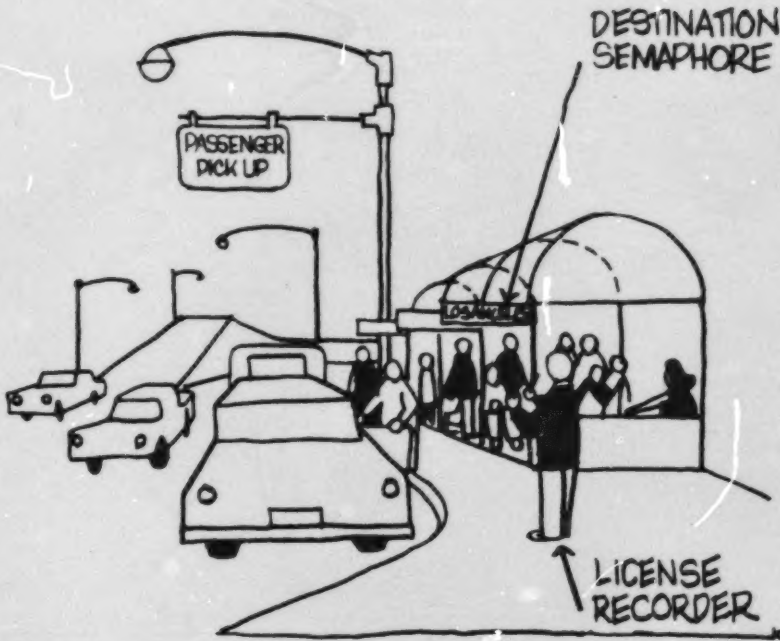
This group of policies is designed to eliminate excessive consumption of natural resources. Reuse of existing facilities is encouraged by various means.

State building code requirements include measures which make it easier for investors to remodel old buildings without diminishing safety and amenity. For example: buildings with a relatively short "post renovation" life span are required to meet accordingly lower code requirements.

Owners of flagrantly deficient units of housing are deprived of all state tax advantages related to the property. The state also pushes the federal government to institute a similar policy. State policy refuses to allow the savings and loan institutions to declare as assets mortgages held on such properties. The region collects stable land taxes that reflect any "unearned increment." These taxes are not reduced as improvements deteriorate.

The regions are required to give preference in their comprehensive plans to areas designated by community councils for upgrading.

Regional and community transportation plans must include studies of more intensive use of existing rights-of-way and structures, and consideration of ways to cut down on excessive urban travel.



"Regional and community transportation plans must include studies of more intensive use of existing rights-of-way and structures."

Consumption taxes

Consumption taxes dealing with the man-made environment include:

Packaging tax. There is a tax on containers and packaging materials—cans, bottles, plastics, cardboard and paper. Receipts from such a tax help to promote streamlined, efficient regional solid-waste disposal systems. To encourage recycling, the government establishes price supports so that salvaged wastes are sold back to industry at competitive prices. At the same time, the state sponsors research into new, efficient, economical recycling processes.

Automobile tax. There is a special tax on automobiles sufficient to pay the costs of their eventual recycling.

Redwood tax. This would be typical of taxes on building materials which represent limited resources.

Tax on the "unearned increment." The state imposes a yearly tax on land that recovers the increase in the value of that land resulting from public action or from competition for use of the land. This forestalls land speculation and resultant premature development adjacent to proposed public facilities such as freeways or transitways, and encourages the repair or replacement of deteriorating buildings.

Driving Policy Three—Guarantee Economic Sufficiency

A central feature of the California Two model is a system of planning, budgeting and financing which translates an extremely broad range of popular goals into accomplishment. A key part of this system is the concept of financing for the total regional development program. This process is summarized

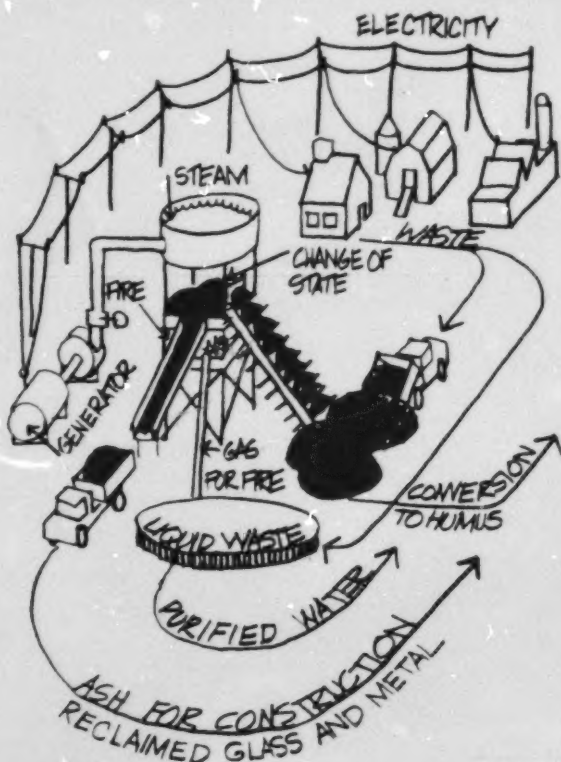
In order to help realize regional plans, the state authorizes regional governments to charter regional development authorities capable of carrying out large-scale, integrated regional projects from planning to land acquisition through construction and leasing.

Traditionally, large public works have been financed through single-purpose federal grants (interstate highways, urban redevelopment), single-purpose bond

issues (schools, rapid transit, water systems), or single-purpose loans (dams). Some public works, such as strategically placed bridges, are very profitable, while others, like public housing, operate at a loss. In California Two the concept of comprehensive financing is used to underwrite all aspects of regional development. Revenue-producing investments are included with non-revenue-producing investments in one economic package, in a balance which is attractive in the money market.

A main source of financing for the regions in California Two is a Federal Conservation and Development Bank which can make long-term, low-interest loans of enormous size to back the total regional development program—and the bank can expect to be paid back as the total regional investment begins to pay off.

California, as the most populous state, has tremendous influence on federal policy. It is primarily in response to the demands of the California Two model that the federal government creates the Federal Conservation and Development Bank, endows it plentifully, and requires that its loans and other federal forms of assistance be made contingent upon the creation of comprehensive regional plans by regional governments prepared to back them up.



"A tax on containers and packaging materials helps to promote streamlined, efficient regional solid waste disposal systems, and to encourage the recycling of resources."

Driving Policy Four—Guarantee Political Participation

The public in California Two has direct control over development policy at virtually every level. Its direct access to the state planning agency through the governor provides the means for sharing state development policy as outlined in the Structures section of the California Plan.

The regional legislature, because it is elected partly by district and partly according to a proportional system, is broadly representative of geographical areas within the region and viewpoints within the region. Therefore, the public has a new strong voice to represent it as the state develops major policies affecting the region, such as those of the state infrastructure plan. The public was not always so well protected. For example, in the old days, when the state highway commission decided upon a major freeway location, there was no authoritative regional voice, local interests were fragmented and without sufficient power to stand up to the state, and the most brutal excesses of the state freeway system resulted.

In addition, the community councils and other local governments have responsibility under the designated structure of California Two for determining specifics of the regional plan—the location, design and character of local health facilities, for example. At the same time, they are a conduit for bringing public opinion to bear on all aspects of regional planning. Thus, in California Two, the public has stronger and more direct control over the shape and character of its cities than it has ever had before.



Regional plans for extensive revival of old neighborhoods are carried out with the aid of huge federal loans to the region.

PEOPLE

Typical Problems

UNEMPLOYMENT

The rate of unemployment in California exceeds the national unemployment level. Automation in agriculture and manufacturing and the growing use of computer technology are primary causes.

In 1970, for example, California's average unemployment rate was six percent which, translated into numbers, meant that an average of 520,000 Californians were seeking work at any given time.

The young and the ethnic minorities are hardest hit. Unemployment among black males aged 18 to 25 is two to four times higher than the average.

The aerospace industry, one of California's largest, is highly vulnerable. Because of government cutbacks, tens of thousands of highly skilled engineers and technicians compete in market for jobs that no longer exist. For many, the prospects of reemployment without retraining are slim.

Retraining programs at all levels are very limited and largely ineffective. This is partially because of limited funds, but also because of the scarcity of new jobs and the existence of already well-qualified competition for them.

EDUCATIONAL FAILURE

Signs of educational failure include the problems of maintaining classroom discipline in primary and secondary schools; an increasing high school dropout rate; and increasing functional illiteracy among California high school graduates. The universities continue to prepare for prestige professions no longer in demand.

Highly controversial issues such as bussing, compensatory teaching, vocational training, and community control continue to plague primary and secondary education. All of these issues are related to the problem of inequity. Wealthy districts have a larger tax base than poor districts, and therefore more money to spend per pupil.

Vocational education in secondary, community college and special schools is designed to provide marketable skills for young people and retrainees, but fails because it does not reach many who might benefit; it lacks qualified teachers and counselors; it fails to train for complex technical jobs; and jobs are lacking.

A major unresolved problem is that youth increasingly sees the college and university system as little more than a training ground for an economic system which fouls the environment and sustains a much detested, unending Asian war. This is unacceptable to them.

CIVIL DISORDER

The national crisis of conscience on the issues of Vietnam, racial injustice, and economic and social powerlessness underlies the problems of unrest and violence on the campus and in the communities that surround them. There is a seemingly unbridgeable gap between the rhetoric of politics and the reality of war and urban life.

The problems of unemployment, illness, educational failure, housing and transportation help to cause ghetto unrest. As racial concentration increases, these problems become more intractable.

CRIME

Crime has increased explosively in California, as well as the rest of the nation, in recent years. Between 1960 and 1969, the burglary rate increased 77 percent; forcible rape, 96 percent; and murder, 53 percent. The "law and order" issue remains sound political currency.

It is generally held that there is a relationship between deprivation and crime. The nature of the relationship, however, is vague, and traditionally held values impair our ability to make it clearer.

Our correctional system is a nightmarish breeding place for reinforcement of criminal patterns, racial hatred, and political discontent. The virulence of the problem is visible in the form of increasingly frequent prison riots and a 50-percent recidivism rate.

HEALTH

The primary health problem is inadequate distribution and delivery of medical care. Among examples of inadequacy are failure to eradicate or even control some communicable diseases which can be prevented or easily cured; continuance, despite liberalized and "model" laws, of an estimated 60,000 illegal abortions annually; incidence of dental disease in epidemic proportions (three million Californians have lost all their teeth); and, despite programs designed for them, the high number among the really poor who remain inadequately cared for.

The second problem is the enormous cost of health care. From 1960 to 1970, the cost of living rose 20 percent, the cost of hospital care rose 122 percent, and physicians' fees rose 45 percent.

A third health problem is the lack of knowledge of causal relationships between environment and health.

MALNUTRITION

Hunger is an unconscionable problem in California. According to U.S. Senate investigations, there are 300,000 children and 100,000 adults in the state who are underfed each day.

There are two basic federal programs designed to combat hunger, aside from general-purpose welfare: surplus commodity distribution, and food stamps; both are available at a county's option.

The problem with the commodity program is that there are not enough distribution centers. The problem with the food-stamp program is that the stamps must be purchased, and even the very low prices charged are enough to keep many people who are in desperate need out of the program.

DRUG AND ALCOHOL ABUSE

In California, alcohol is by far the commonest sedative drug. There are one million Californians with a "drinking problem" there are 200,000 alcoholics. The direct and indirect losses due to alcohol in California amount to \$1 billion a year.

Estimates of the number of heroin addicts in the state range between 25 and 35 thousand. The trends are ominous. In 1969, the number of adult arrests for heroin offenses was 10,000—up 18 percent over the previous year.

Marijuana, of course, is the most widely publicized and commonly used drug other than alcohol. There are strong differences of opinion as to whether its potential for abuse is less than, the same as, or greater than alcohol. It remains illegal.

CALIFORNIA ONE—PEOPLE

*Typical Policies and Estimates of Results**Unemployment*

State unemployment compensation remains the basic answer to the continuing unemployment problem, although a national income floor (or negative income tax) alleviates survival problems for the poverty-stricken.

State and federal retraining programs are started in many occupations, but because of the heavy job competition the programs have limited success.

The State establishes a computer job placement service in an effort to coordinate job supply and demand. Private employment agencies remain as the dominant factor in placement, however.

Education

Pre-school activities are expanded with federal money in an effort to compensate for the growing achievement gap between low-income groups and the rest of society.

Public pressure forces state assessment and collection of property tax for educational purposes in order to equalize opportunity.

Policies regarding higher education are the subject of continuing and intense political controversy. The financial center of gravity moves from the university system to the community college. Student alienation from the dominant society remains a chronic source of disruption.

Civil disorder

The state adopts preventive detention as a method of controlling disorder to augment the basic policy of suppressing demonstrations with force.

Large-scale public disturbances continue to occur in cycles. The ghettos and campuses continue to be centers of unrest; the prisons become highly politicized and prison riots occur frequently.

Crime

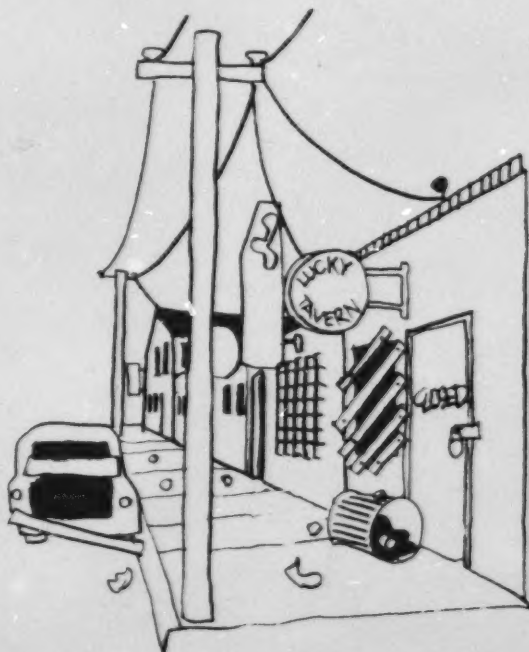
Crime against the person and property continues to grow. The general response is agitation for more police and "stronger" laws.

In general, treatment of criminal offenders continues to be predominantly punitive rather than rehabilitative. Recidivism rates remain unchanged.

Police departments are manned almost entirely by whites, whose attitudes toward racial minorities (principally blacks and Chicanos) and nonconforming youth reinforce the general untrusting and hostile attitudes of these groups toward the police specifically, but also toward the dominant society in general.

An increasing number of crimes involves the use of guns, which results in more injuries to and killings of victims, police and criminals.

Private security services expand. Closed-circuit TV, alarm devices, etc., are used increasingly by small businessmen and householders to prevent burglaries.



"The threat of crime has grown to the point where nighttime foot traffic in major cities has almost ceased."

Health

State policies regarding public health are directly connected to a national system of public health insurance (superseding Medi-Cal and Medicare). Public health programs are relatively well planned, but the system only begins to meet the state's health needs.

Health costs continue to rise unabated.

Medical and dental programs remain predominantly corrective rather than preventive.

The poor receive minimal health care, and individual ability to pay remains a determinant of the quality and frequency of medical/dental care. The need for medically trained professionals, particularly doctors, is not met.

Malnutrition

Federal food-stamp and commodity programs continue, but many, particularly rural families and single agricultural workers, remain inadequately nourished. In spite of various state and federal programs and volunteer efforts, malnutrition remains a part of California life.

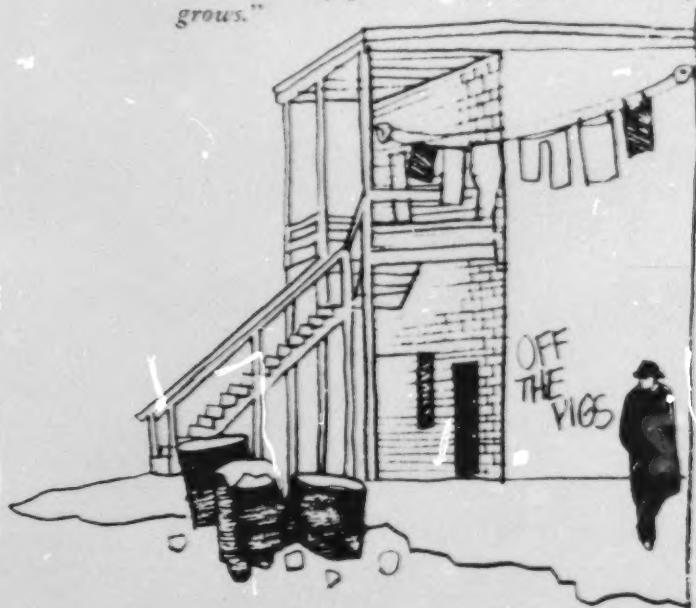
Narcotics/Alcohol

Alcoholism programs already under way are continued and expanded. Local health agencies administer halfway houses for alcoholics returning from jail, but many alcoholics still remain in the revolving door of jail/street.

The state expands its program of heroin rehabilitation within state hospitals. Some programs are established locally to treat users of other dangerous drugs—LSD, "speed," etc.—but there is no statewide program.

Marijuana remains illegal despite its increasingly widespread use.

"Radical positions on both the right and left become more popular as economic insecurity grows."



CALIFORNIA TWO—PEOPLE

Typical Policies

DRIVING POLICY ONE—DEVELOP A FRAMEWORK FOR SETTLEMENT

Basic state responsibility:

The state maintains and declares that every citizen shall have the opportunity for good health, safety, and a wide range of occupational choice within his community. The state will not approve regional plans unless they reflect a thorough commitment to this policy. Health factors are controlling in the location and design of new settlements and the reconstruction of old ones.

Federal action

The state's considerable influence is brought to bear upon the federal government, which guarantees funds for the provision of national health care and health-care facilities.

Requirements for regional plan

State requirements for regional plans and regional development programs include provision for:

Regional and community health care facilities. Within a framework of federal, state and regional policy, many plans are developed at the community council level. Programs must place strong emphasis on preventive medicine and dentistry.

Educational and cultural facilities, designed around the principles that education is an ongoing process, and that schools are centers of community cultural affairs for all ages. State funding is linked to the range of programs offered by each region.

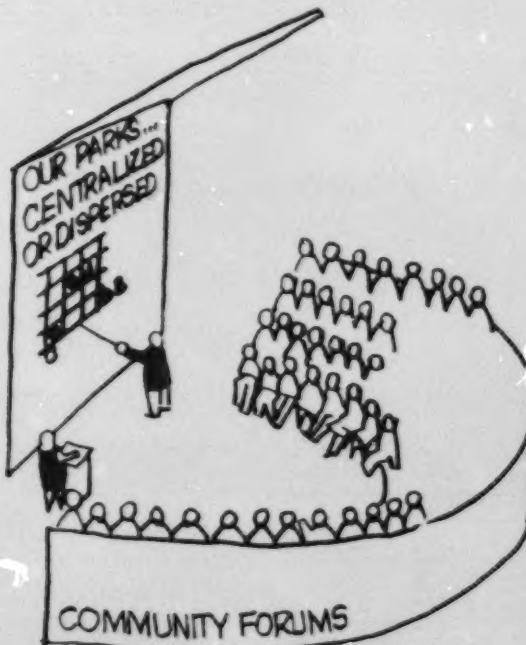
Employment centers, which function as clearing houses for employment information. The centers are linked by computer to a statewide network, established under the state infrastructure plan (see previous section).

Established public facilities and services, such as government offices, courts, jails; fire and police protection and garbage collection, adequately accessible to all residences.

Combining of the foregoing facilities in community centers must be considered in regional plans. In addition to the economies they may offer, community centers can have the effect of coordinating separate programs. For example, the physical, even operational, integration of employment information centers with educational-cultural facilities could generate training and retraining programs, or the teaching of fine craftsmanship, appropriate to the needs of the community.)

The development of New correctional facilities which are designed for rehabilitation rather than punishment of criminal offenders.

Industrial locations within the region, in keeping with the California standards for accessibility (see previous section).



Community councils participate in the location and design of community facilities such as local parks...

DRIVING POLICY TWO—ESTABLISH NEW PATTERNS OF CONSUMPTION

Curricula

The state establishes minimum standards for curricula on the environment in the primary and secondary systems, with strong emphasis on comprehensive resource management and its relationship to the state's resource conservation goals. Course curricula in the teaching of general ecology are laid out to include both theory and practical experience. Practical instruction includes, for example, school organic gardening projects.

DRIVING POLICY THREE—GUARANTEE ECONOMIC SUFFICIENCY

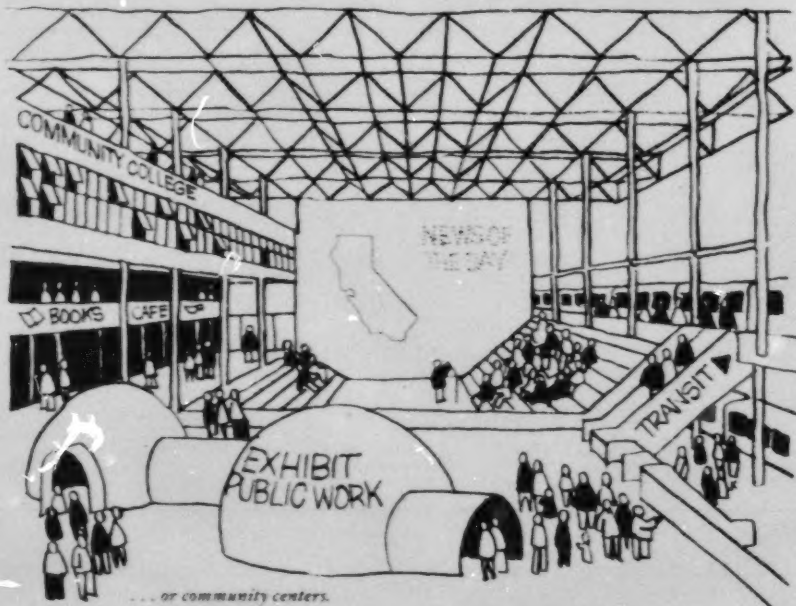
The state guarantees full occupational (vocational and avocational) opportunity. The educational system furnishes the citizenry with the motivation and the skills necessary to take advantage of the opportunities available.

Jobs: building and rebuilding California

Massive state and regional building programs create many jobs. State projects include the North-South transit line, and other major elements of the state infrastructure plan. Large regional improvement programs are undertaken by regional development authorities chartered by the regions.

Income floor

State policy calls for and hopes to obtain a federal program providing not a bare survival income, but sufficient means for each family or individual to live modestly in healthful surroundings. The income floor is established, for example, at \$4,000 a year (in 1971 values) for a family of four. It is tied to a work-incentive provision by which, up to a certain level, those gainfully employed who earn more than the income floor can keep a portion of it.



DRIVING POLICY FOUR—GUARANTEE POLITICAL PARTICIPATION

In other sections we have emphasized the responsiveness to citizen control of regional and state institutions established under the California Two model. The community councils (p. 9) are an equally important mechanism in guar-

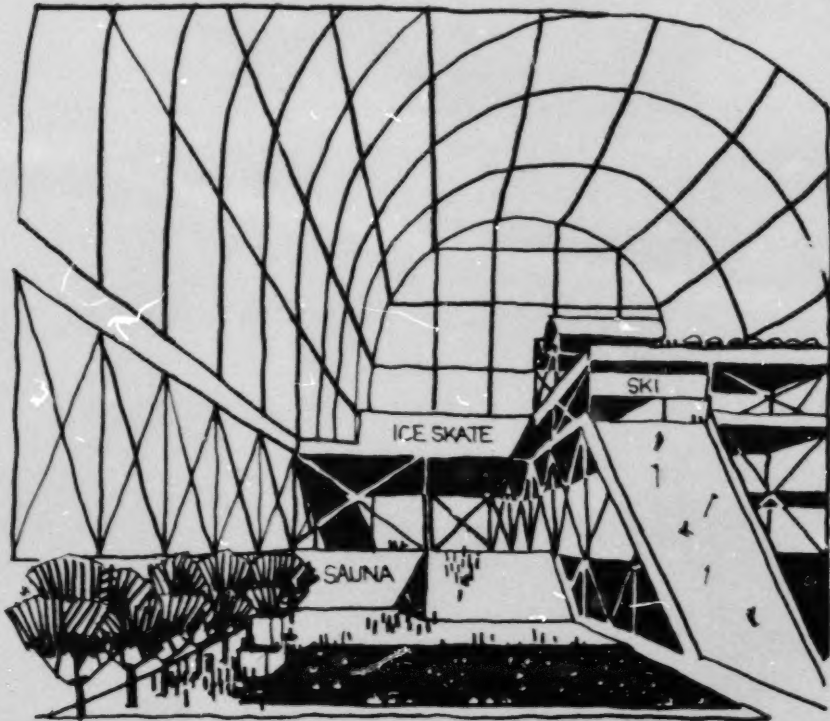
anteceding political opportunity to all citizens. The concerns and responsibilities of the councils, within the guidelines of the regional plans, include:

The location and design of community facilities such as health centers, schools, employment information centers:

Participation in the design and location of sub-units of the regional or state transportation networks:

Location and character of local parks and open spaces:

The design and location of housing and other developments; and the provision of services related to all of these facilities.



One community works to build a "recreation palace."

CALIFORNIA ONE AND TWO—COMPARISONS

VIEWS OF THE FUTURE—CALIFORNIA ONE

You probably live in the slurbs. Run-down core areas have expanded. Crime, drug problems, discontent, a near-paralysis of public services are typical of the established cities.

The cities have spread out, joined together North and South, taking over thousands of square miles of good land since 1970.



"The cities have spread out, joined together North and South, and taken over thousands of square miles of good land since 1970."

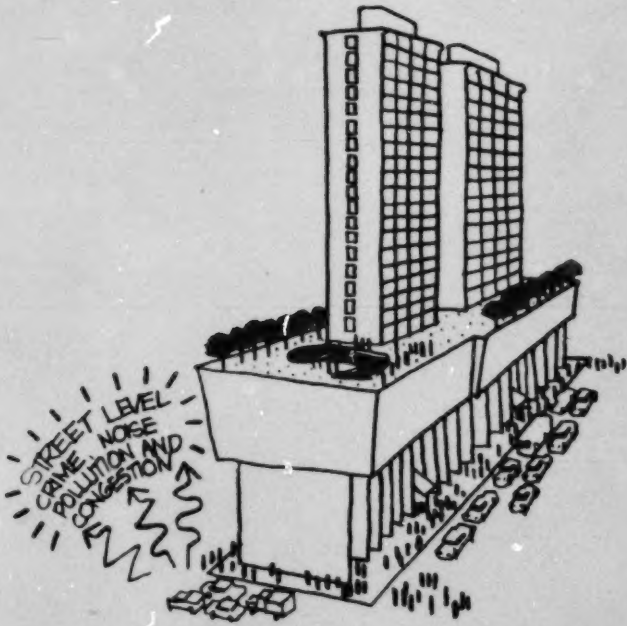
The population is heading toward 40 million.

Rural slums, some of them remnants of "recreational subdivisions" of years before, are spread across foothills, mountains and the coast.

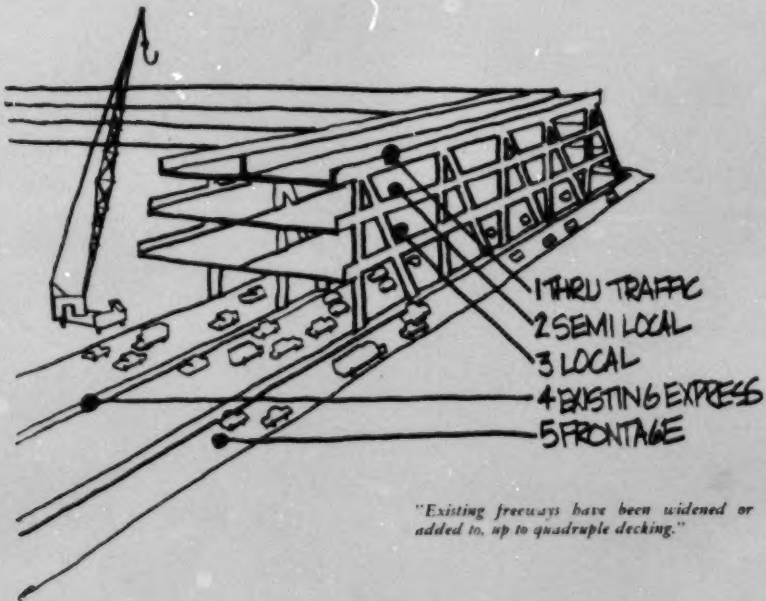
There are not enough jobs. There are inadequate income supports, although there are endless programs to deal with income problems in addition to an income floor; job training; urban renewal for city blocks, whereas it is needed for whole regions; aid to dependent children; rent supplements; food supplements; unemployment payments. The red tape is thick.

The educational system seems largely irrelevant to the needs of society, unable to prepare people for vocation and avocation in a rapidly changing economy. Kids go to school but it doesn't help them find where they will fit in.

The automobile has a vicious stranglehold on the state. Downtown centers have grown inaccessible as they have grown tall. They depend heavily on access by automobile, but there is paralyzing local street congestion and parking is expensive and inadequate. Existing freeways have been widened or added to, up to quadruple decking; new transit lines which parallel a certain few heavily congested freeway corridors have been built in the San Francisco, Los Angeles and other regions. But crowding and traffic congestion in the downtown areas and elsewhere get worse.



"Downtown centers have grown inaccessible as they have grown tall."

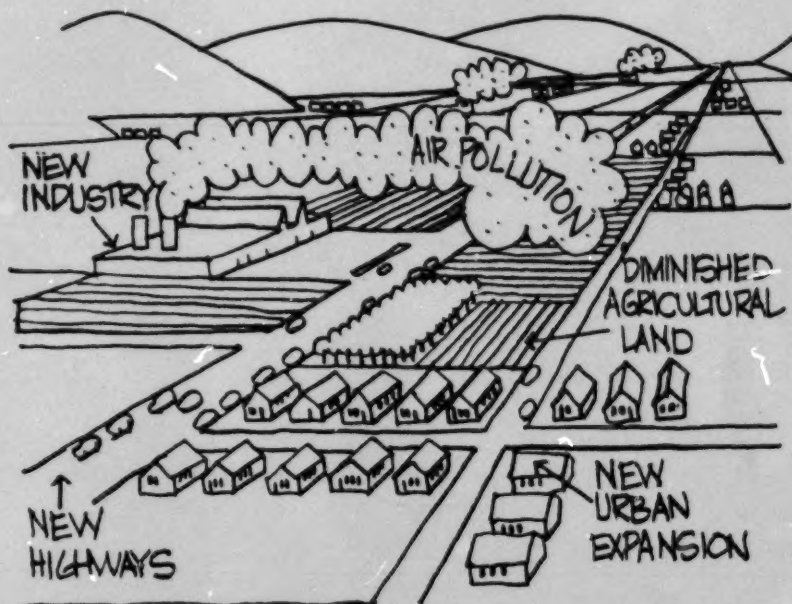


"Existing freeways have been widened or added to, up to quadruple decking."

To feed, placate, pick up after, and accommodate the automobile, gain protection from it, minister to or bury those hit by it, and pay for its other ravages requires a third of all expenditures, public and private, in the state of California.

There is a serious lack of recreational open space in and around residential areas.

Agricultural lands are lost to urbanization.



Smog, some water pollution, loss of valuable lands of all kinds to urbanization or over-use are a continual burden to the people of California One.

Considerable progress has been made in health care, prison reform and treatment of the mentally ill.

The search for space has forced building on to marginal, sometimes dangerous land.

The threat of crime has grown to the point where nighttime foot traffic in major cities has almost ceased. Protective fortifications of various kinds surround many areas.

Use of hard drugs has increased, along with the crime that inevitably accompanies it.



"Protective fortifications of various kinds surround many areas."

Prison populations have grown and prison disorders have become more virulent.

The failure of the American political-economic system to solve problems of social and political inequity, or to meet environmental problems and other nagging injustices, causes sporadic demonstrations and spontaneous protest riots. The public accepts harsh, repressive police measures. New forms of reprisal on the part of dissenters, in the form of bombings, disruption of public services (such as water supply and electric power) have emerged as weapons of protest.

California One is a tortured place. Sets of choices about the future have to be made. But California Two is no longer an alternative.

VIEWS OF THE FUTURE—CALIFORNIA TWO

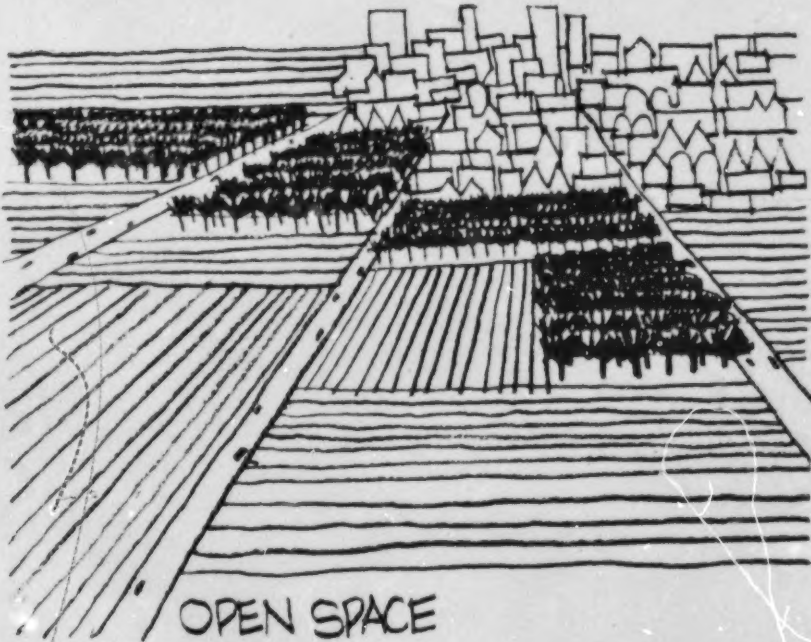
Your own community may have been part of an enormous and growing expanse of greying, rundown central city homes in an area of high crime rates typical of the cities of the early 1970s. Now it has been largely redeemed in a regional renewal program carried out over more than two decades, step by logical step. Many homes and apartments have been restored; others have been replaced; some have been knocked down to create neighborhood parks; some streets have been closed off and turned into playgrounds or gardens, a by-product of new public transportation in the area. New clusters of offices and stores, churches, meeting places, have sprung up around the transit stops. Your surroundings are far more pleasant and safer than most communities were in the past.

The old, established cities are sprawled out, but not much more than they were in 1970. They come to a dead stop right at their boundaries, at the edge of the urban zone, and beyond that there is farm land or the hills.

The shape of a community depends a good deal on what people want. They fight among themselves for what they want in the way of density, for example. The community council makes a decision. The decision has to conform to the regional plan. Then practical problems come in, like the financing available from the Federal Conservation and Development Bank or the preferences of the regional development authority. The result is a real diversity of sizes and shapes within and among the communities of the big cities.

One thing is certain, though. All housing has to be within limits set by the California Plan. The limits deal with such matters as the availability of housing to all income groups; accessibility to work, shopping, recreation and health care; amounts of private and public open space provided; and quality of construction.

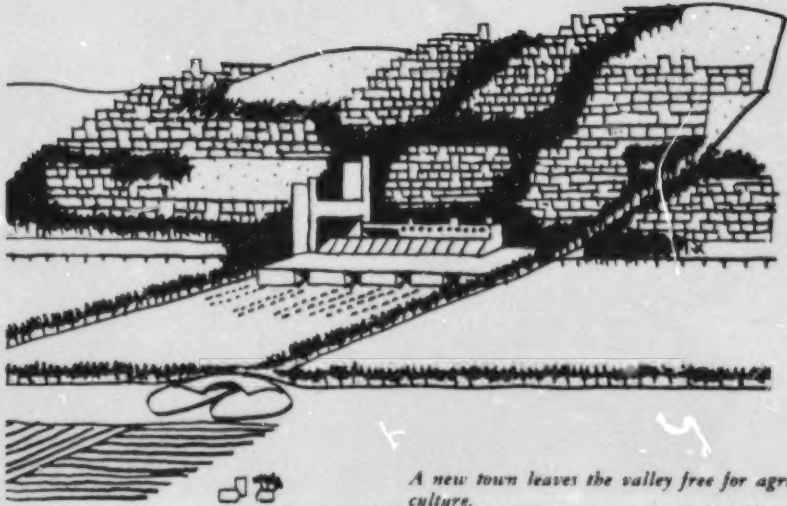
URBAN ZONE



"The old, established cities are sprawled out, but not much more than they were in 1970. They come to a dead stop right at their boundaries, at the edge of the urban zone, and beyond that there is farm land or the hills."

The population has leveled off at about 30 million, an increase of ten million since 1970. New towns have absorbed some of these people.

A typical new community is built by a regional development authority chartered by the regional government to help carry out its development program. The regional authority operates by the rules of the state and regional plans. For example, no housing is planned in zones subject to disastrous earthquakes, fires, floods. State agricultural and conservation zones are protected. Aided by loans from the Federal Conservation and Development Bank, the authority plans the new communities, buys the land—condemns it if necessary—and it may actually fabricate construction components, build, landscape, and lease. Or it can lease land to other entities for housing, and commercial purposes. Profits go into a revolving fund for development. The development authority builds parks and schools, and transportation facilities to connect with the regional grid. The possibilities for variety in design are limitless.



A new town leaves the valley free for agriculture.

Regional renewal programs in established cities are carried out by large development authorities in much the same way.

Because of the pattern of concentrated urban development in California Two, government does not have to extend municipal services such as water supply and waste-disposal facilities into every corner of the far countryside. State conservation and agricultural zones are not open to urban development. Many regional reserve lands are left open or in low-density housing, by choice of the regions.

You have far greater choice of where you will live than in previous years. This is because of expanded occupational opportunities, a guaranteed income floor, and greater access to jobs, recreation, and commerce. There has been a general dispersion of racial ethnic and counterculture groups into both suburban enclaves and integrated communities.

The distinction between vocation and avocation is blurred. People have a pretty good chance to do what they want to do, be it research, sales, carpentry, medicine, music, fortune-building. They are not locked necessarily into dead-end employment, nor do they have to face the spectre of prolonged unemployment of dependency on relief. They have the income floor.

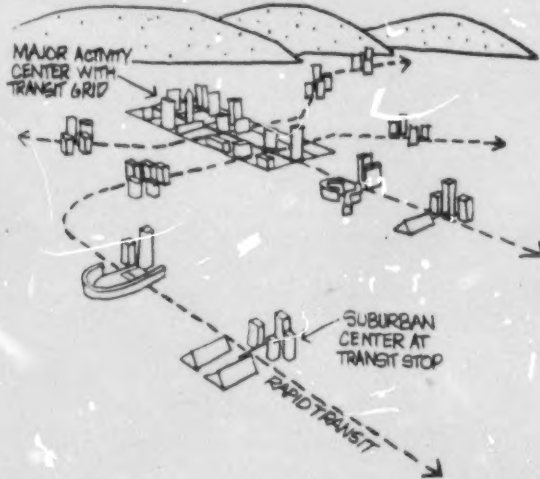
There is no longer a need to fight or train for jobs which are not available. At the same time there are a great many jobs offered, year after year, as each additional increment to the major regional development programs is built. The income floor is not munificent, and most people want to work and do work. The statewide employment information network brings early warning to the local schools and training institutions of what skills will be needed.

At the same time the schools are centers of year-round study and they inspire all kinds of avocational and recreational activity. Activities formerly considered "hobbies" such as fine craftsmanship or organic gardening have become full-time pursuits.

Under the regional development program, schools at all levels become centers of community life. Their libraries, classes, electronic equipment, their spirit of awakening, serve not only students but all the people of the area.

There is a complete system of health care. Everyone is covered by the national health program. The option of choosing a private doctor is open, but there is a publicly provided health clinic for every community, and a regional system of hospitals and care programs for the mentally ill. The community councils determine the character of each local clinic which is combined with a child day-care center. In another area where many retired people live, the council may want its health care center largely as a base for the provision of home care. The cost to society of providing adequate health care remains high.

Public transportation forms the skeleton of entire urban regions. Regional transportation systems are based on a combination of rapid transit lines of various kinds, minirail, computer-controlled jitneys, buses, other feeder vehicles and "people-moving" conveyances in commercial centers or neighborhood residential areas. Non-polluting automobiles are used extensively, but it is not necessary for individuals to own their own; there are alternative alternatives.



"The transportation system is used as a basis for area-wide renewal."

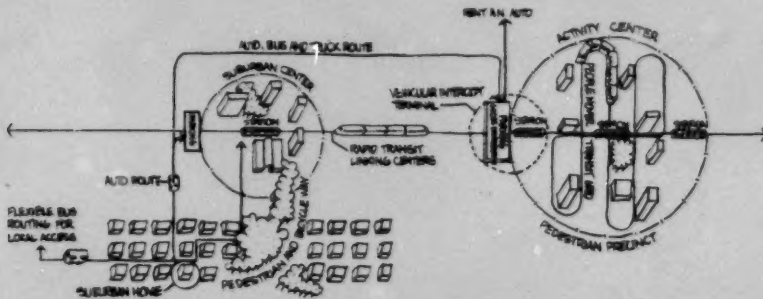
Transit covers entire cities and may include a concentrated grid covering 100 square miles or more in sprawling areas like Los Angeles, with high-speed connectors to outlying communities. The regional transportation system is an integral part of the regional plan and is used as a basis for area-wide renewal. It makes possible, for example, the conversion in large sections of Los Angeles of over half the established street grid, including freeways, to greenways of various kinds. The planning possibilities, right down to the residential neighborhood level, are infinite and exciting when the established street grid can be regarded not simply as a paved-over runway for cars but as a public resource of untold opportunity.



An element in the multi-mode regional transportation system.

The transit stations become centers of activity—stores, offices, health facilities, some apartments, places of worship, recreational areas, plazas, theaters, meeting places. The land surrounding the transit stations is acquired as a matter of course through the use of eminent domain by the regional development authority, which has been chartered by the regional government to assist in carrying out the regional development program. Income derived from these areas helps to retire the multi-billion dollar loans for construction, obtained in part by the region from the Federal Conservation and Development Bank. In addition, these funds help to create community facilities, such as schools, which are part of the total regional plan.

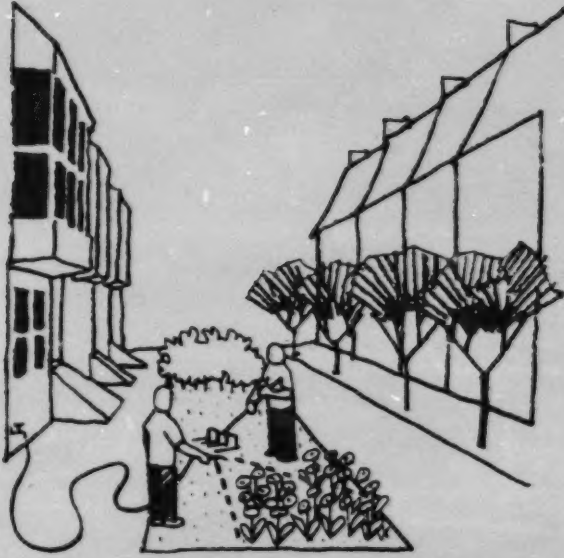
"The region-wide, multi-mode system of transportation makes it unnecessary for individuals to own 'wheels' of their own. There are attractive alternatives."





The city core.





Inner-city housing.



The suburbs.

The full-coverage aspect of the regional transportation system corresponds to a trend away from the commuting patterns of the past when citizens jammed the freeways to get from their homes in one place to high-rise urban centers in another. Many activities now revolve around local centers.

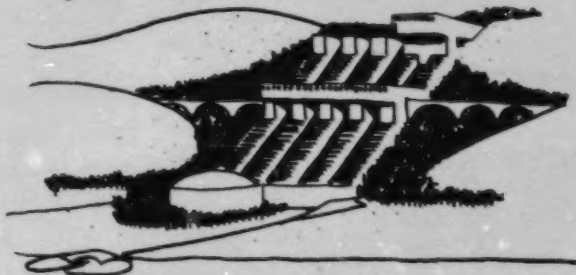
There is a new ultra-high-speed rail line linking the North and the South. Along it is a series of new communities designed to take the pressure off the urban clusters centering around old city cores.



The North-South, high-speed rail line runs through regional reserve lands bordering the central valley, providing access to new community sites.

There is an adequate supply of recreational open space in California. The maps (p. 13) show the extent of the conservation and agricultural zones. The state conservation zone includes most of the lands which are of major scenic and recreational importance, such as the entire coastline and important mountain and desert regions.

A high-density new town, with open country no farther away than a two-minute walk for any resident.



The infusion of open-space recreational areas into every community, under the state and regional standards, helps to make the city a good place to be, instead of a good place to get away from.

Some of the most important environmental concerns of past decades have diminished. However, depletion of energy sources remains a concern. Air and water quality now meet the high California standards for amenity, polluters having been forced by the state consumption policies into new ways of operation. Very few of the old, ecologically destructive inter-basin water diversion proposals have been carried out since the early 1970s. The regions produce much of their own water through recycling, desalinization and judicious tapping of underground supplies.

Systematic collection and disposal of solid wastes is part of each regional development plan and is financed within the total regional development program. Waste facilities can handle completely, efficiently, and economically, without pollution and without the depletion involved in extensive land fill, all of the solid wastes of the region through burning or other forms of reduction, and the recycling of much of the waste into agricultural and industrial uses.

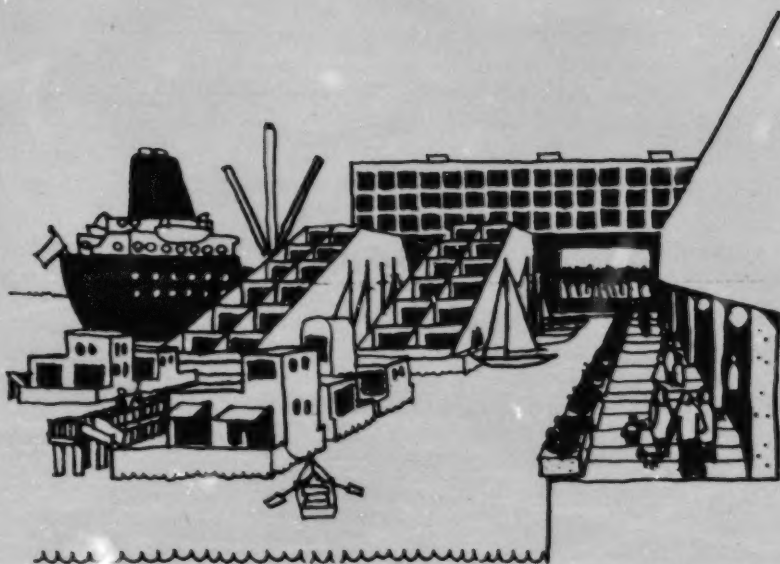
You do not have a great deal of money with which to buy an increasing assortment of labor saving machines for your home. You do have the basic appliances. Costs are high, partly because of the environmental constraints on manufacturers. Taxes are high. You have access to amenities such as public transportation and parks, which stands in lieu of purchasing power. The state's high agricultural productivity resulting from protection of agricultural lands keeps some food prices in line. You eat better and enjoy better housing than you could have years before on an equivalent salary.

There is crime, there are drugs, there is disorder, but regional programs of rehabilitation replace the primitive approach of the past. Prisons are similar to schools in the sense of being places of encouragement and instruction. Crime and other social disruptions are at tolerable levels because many of the conditions which used to cause them—poverty, hunger, poor housing, and blighted neighborhoods—no longer exist.

Many are discontented—with housing, income, restrictions on the use of private property. Prejudice, and inequities arising from it, are still on the scene. Nevertheless, the restructuring of the planning process gives citizens a chance to work with the governmental bodies—state, regional, or community—which are actually responsible for solving important problems.

There are widespread complaints about government interference, bureaucratic red tape and waste of money. In actual fact, government exerts strong controls mainly in the areas that are necessary for the protection of the natural environment. In other areas government helps to establish a framework under which individuals and communities can decide pretty much for themselves how they want to operate.

The vision of California Two is that of a constructive and compassionate society working toward a better chance for the good life for all.



Housing, public open space and industry, in a waterfront area.

ECONOMIC COMPARISONS

A complete economic analysis of California One and California Two is not possible within the scope of this sketch plan. However, the following comparisons in three specific functional areas—open space, transportation, and health—give some indication of the relative costs of the two Californias. In preparing these economic projections we have used the most reliable data available, but there are, of course, many unknowns. For example, the additional environmental and social disruptions which would probably occur under California One would bring substantial increases in the costs of a wide range of services, but we have not begun to estimate them. Nor do we estimate many of the economies which comprehensive planning would achieve under California Two.

Open space

An approximation of the economic implications of the massive preservation of open lands outlined in the California Two narrative may be gained by applying the cost figures developed in the Ford Foundation financed study of 1963 ("Economic Impact of a Regional Open Space Program," published by People for Open Space), to the urban open space requirements projected in the "Urban-Metropolitan Open Space Study" prepared by Eckbo, Dean, Austin and Williams for the State Office of Planning in 1965.

The latter proposes the full or partial fee acquisition in California urban areas of 1,973,000 acres (control of an additional 7,425,000 acres in rural areas is to be obtained through zoning). The study projects acquisition costs in 1970 dollars at \$4.14 billion, an average cost of \$1,080,000 per square mile or \$1,687 per acre. Total interest, assuming five percent, 30-year bonds, would be \$3.93 billion, for a total acquisition cost of \$8.07 billion.

The costs of operating and administering these open space areas over the next 30 years would total \$2.01 billion. The total cost for this open space program though to the beginning of the next century would thus be \$10.08 billion.

The People for Open Space study team discovered that the conversion of large areas to permanent open space would not result in any appreciable decrease in the yield of tax revenues within a major metropolitan region, the Bay Region. "The gains in values of urban land and developable land not included in the open space plan would approximate the loss in values in the

open space lands." Thus, the acquisition of open space areas effects an intra-regional balance or trade-off in land valuation, and consequently of tax revenues.

Let us now estimate the cost to the public of utilizing these same land areas for development under California One. We will assume that 30 percent of the area is undevelopable. The People for Open Space model includes in its valuation of public costs for development the construction and maintenance of utilities and the provision of government services.

The extension of gas, electricity, water, and telephone lines would cost \$5.06 billion, and the maintenance of these utilities over a 30-year period would cost an additional \$2.41 billion. Assuming again that these costs could be covered by five percent 30-year bonds, interest charges would add another \$7.12 billion. Thus, the total cost of bringing utilities to these open space areas could well exceed \$14 billion. The additional cost of establishing government services within these newly developed areas would bring the total expenditure of public funds for development under California One to \$20 billion by the end of the century.

<i>Summary</i>		Billion
California 1:		
Extension of utilities		\$5.06
Utilities maintenance to the year 2000		2.41
Interest on utilities investment		7.12
Government services		5.41
Total		20.00
California 2:		
Land acquisition		4.14
Interest on acquisition investment		3.93
Administration and maintenance to the year 2000		2.01
Total		10.08

Transportation

We have chosen the Los Angeles area for an illustration of the costs associated with our current automobile/freeway-dominated transportation system augmented by some rapid transit, as compared with the costs of implementing in the same area a multi-mode transportation network.

According to the Los Angeles Regional Transportation Study of 1967, there will be 7.3 million automobiles in the five Los Angeles area counties by 1980 for a population of 14.4 million people. These automobiles will produce a volume of traffic amounting to \$6.4 billion vehicle miles per year by 1980.

Under California One, the master plan of the Southern California Rapid Transit District calls for the installation of an 89-mile, double-track rapid transit system (augmented by 850 additional buses and 300 miles of new bus lines to feed the system) along the five existing major traffic corridors. SCRTD estimates the total cost of installing this system at \$2.5 billion. Even with the system in operation, the remaining volume of traffic in expected to require the construction of an additional 1,000 miles of new freeway, representing a further capital investment of \$8 billion.

Compared to this \$10.5 billion capital investment under California One, let us assume that under California Two we undertake the development of a rational, integrated network for the entire region. No designs or costs for such a total system are available but, as a prefiguring of the magnitude of investment which such a system might require, we have, to begin with, estimated the costs associated with the installation of a central transit grid similar to that proposed by Henry Babcock and dismissed as visionary madness by an army of critics.

For purposes of discussion, we will consider the installation of a rapid transit grid covering 100 square miles of central Los Angeles, with high-speed lines reaching out into the outlying areas. Such a system would put a single-track, rapid transit loop within one-half mile of any point inside the grid. The system would require 258 miles of track and 200 platforms within the grid, plus an additional 120 miles of track to outlying areas. Utilizing existing rights-of-way, and considering the greatly reduced costs of installing single-track as opposed to double-track lines, we estimate that such a system, to-

gether with a feeder bus program twice the size of that proposed by SCRTD, could be installed for a total capital investment of \$4.5 billion. Since the grid eliminates the need for additional freeway construction in the central area, we could under California Two expend up to an additional \$8 billion for the most advanced, multi-mode transportation components in the outlying regions of the area without exceeding what we will be spending under California One.

Now let us compare annual operating costs for each of these two different systems. SCRTD projects the annual cost of operations and maintenance on their double-track system at \$50 million; the operation of the grid system is estimated at \$85 million per year. The maintenance of the expanded regional roadway system under California One would cost \$19 million annually. Because the installation of the transit grid would substitute for much of the service performed by freeways, we can expect that roadway maintenance costs for the region would not exceed their current level of \$18 million.

The major difference between the two systems appears when we consider the annual costs to the public of continued reliance upon the automobile under California One. To estimate these costs we will employ the factors developed by the Stanford Research Institute in their cost/benefit analysis of the SCRTD system.

SCRTD predicts that its system at best would reduce the total annual volume of automobile traffic by ten percent. Consequently, the remaining volume of traffic, estimated at 77.8 billion vehicle miles per year, would yield annual costs of \$2.3 billion in automobile operating expenses. And, while SRI estimates that the installation of SCRTD would reduce the number of automobiles in the region by 100,000, the remaining 7.2 million automobiles would cost their owners a total of \$2.4 billion in license fees, depreciation, and personal property taxes. The cost of supplying parking spaces for these automobiles would cost an additional \$290 million per year, while the effects of massive concentrations of smog would cause another \$30 million worth of agricultural damage.

The program of capital investments outlined here for California Two is founded upon the assumption that the California Two transportation network would have a far more substantial impact than California One policies in reducing the predicted volume of automobile traffic in 1980, particularly in Los Angeles County where nearly two-thirds of all the automobiles and traffic predicted for 1980 will be concentrated.

On this basis, we expect that the grid system, together with the multi-mode network in the outlying areas of the region, would reduce total traffic in the five-county region by as much as 30 percent, while automobile ownership would be reduced by ten percent. This would cut the total annual automobile operating costs within the region to \$1.8 billion and annual ownership costs to \$2.2 billion. Assuming that smog damage and parking costs would be reduced by one-third, we can estimate the total annual operating costs of the transportation network under California Two at \$4.3 billion, compared with \$5.1 billion under California One.

These figures suggest that we can dare to undertake the most spectacular solutions to our transportation problems and still spend less than we would if we continue to rely upon the automobile, augmented by some transit, as the basic mode of intra-regional transport.

SUMMARY

Capital investments	Billions of dollars
California 1:	
Installation of SCRTD system.....	2.5
1,000 miles of new freeway.....	8.0
Total.....	10.5
California 2:	
Installation of transit grid (with extensions to outlying communities).....	4.5
Additional multi-mode development for the entire region.....	5.0
Total.....	9.5

ANNUAL EXPENSES BY 1980

Item	Millions of dollars	
	California 1	California 2
Rapid transit operation.....	50	85
Roadway maintenance.....	19	19
Automobile operation.....	2,300	1,800
Automobile ownership costs.....	2,400	2,200
Parking.....	290	193
Smog damage.....	30	20
Total.....	5,089	4,318

Health services

Conservative projections of medical expenditures based on the methodology developed by the U.S. Department of Health, Education and Welfare show that national health expenditures will be approaching \$280 billion by the year 2000, as compared with a total annual investment of \$60 billion today. This vast figure will be reached without any extension of the current scope of medical care or change in the method of delivery of health services; in fact, national health expenditures could be held to this total by the end of the century only if the federal government imposes controls upon the rising costs of medical services. Even so, per-capita health expenditures will be nearly three times what they are today.

In California One, with a projected population of 34 million in the year 2,000, medical expenditures would total \$30 billion. The amount that the average citizen spends on his personal medical care would be held at approximately the level that it is today by a national program of health insurance which would cover two-thirds of all medical expenses incurred by an individual. A national program of this scale would barely be able to pay for the annual costs of hospital care, physicians' fees, and the construction of new facilities. The individual would still pay as he was able for all dental and other professional services, all drugs, eye glasses and other appliances and nursing home care.

In projecting the costs of a program of comprehensive health care linked to a prevention program as proposed under California Two, we will take the Kaiser Plan as an index of the cost of a program of basic medical services. The current per-capita costs of the Kaiser Plan are \$204 per year; because the range of services included under the Kaiser Plan include those services whose prices are rising most rapidly, we can expect this per-capita amount to triple by the end of the century. Because under California Two the costs of the health program would be borne by the entire projected population of 30 million in California by the year 2000, we can estimate that the total cost of a program of basic medical services similar to the Kaiser Plan would be \$18.4 billion.

But the program proposed under California Two would expand the services currently offered under the Kaiser Plan to a full range of health needs. Therefore, we must add to the total expenditure for a basic program the costs of doctor's visits, the costs of dental care, the support of nursing homes and the expenditures for mental hygiene. Assuming that the costs of all these services continue to increase at the rates projected by HEW, we must add \$4.2 billion to the cost of our basic program for these additional services.

Although the health program in California Two would offer adequate medical care to everyone, it is to be expected that some people would prefer to make additional expenditures for private care. Assuming that 20 percent of the projected population of 30 million would seek private medical care, and multiplying by the per capita health expenditure calculated for the end of the century under California One, private health care would add another \$5.4 billion to the total costs of the California Two program by the year 2000, bringing the total for the California Two program to \$28 billion.

The disparity in total costs for health care under California One and California Two reflects the reduction in total projected population of California Two resulting from state population policy rather than significant differences in per capita expenditures. California One, however, does not provide preventive protection or complete health care for all citizens. California Two, on the other hand, extends full medical care to all citizens, develops preventive programs to reduce the costs of epidemics, and assures a continuation of research and development of new facilities without spending more than we would spend under California One. And these projections of the total costs for health care under California Two do not take into account the savings which would accrue in California Two from the general upgrading of the health of our citizens, resulting in part from improved nutrition, the absence of smog, the reduction of stress and the health program itself.

AMENITIES COMPARED

We believe that a convincing case can be made for the economic viability of California Two. However, the comparative values of California One and Two can be only partly expressed in terms of dollars.

Consider the following: before World War II a middle-income family that wanted to live in the suburbs could afford a detached home with ample if not generous front and back yards, and high ceilinged rooms, on a well planted street. After the war, the suburban pattern was defined by Levittown—narrower yards, smaller rooms with lower ceilings, token street planting and little privacy. During the 1960s, cluster housing came into vogue, offering to compensate for the absence of private yards with common open spaces. Now these amenities are not often available; the usual garden-apartment offers very little of either garden or apartment. And the mobile-home court provides a clue to the future of lower- and middle-income housing. Absolutely minimal prefabricated units are packed together, and frequently a grove of TV antennas substitutes for trees. The trend is obvious, not only in the homes we live in, but in the air we breathe, the water we drink, the food we eat, the clothing we wear, the kinds of recreation we enjoy, the way we move from place to place, the health care we enjoy and the schools we send our children to.

California Two arrests and reverses this trend, with a resultant amenity value to individuals. California One does not, and the result is a lesser amenity value accruing to individuals. Many of these values can be expressed in dollar amounts. In addition, although there are no measures for the full joy we find in living, there are, we are sure, ways of measuring by standardized Units of Amenity Value ("U-haves"), some of the amenity benefits accruing to individuals. A U-have index would be helpful to those who want to evaluate the effects of alternative courses of action, and help us see that not only can we "afford" California Two in the sense of being able to pay for it, but that if we want an amenable environment, we can't afford *not* to pursue it.

CALIFORNIA TWO—PHASING IN

This section considers the question of how to get from here to there. Often planners and plans avoid this question on the grounds that it is too "political." But there is no use in preparing a plan for the future if it has no program to put it into effect.

To activate the California One planning model there is little that needs to be done. The California One model is based on a logical extension of present trends; many of the policies of California One are either in effect or in the planning stage.

California Two is another matter entirely, for it requires major changes in governmental structures, new levels and patterns of public and private spending, large-scale action programs, some new ways of life, even new thinking.

Yet California Two or any other reasonable set of choices about the future can be achieved surely, albeit some of it slowly. We have approached the achievement of California Two through eight basic "activators," which are listed below.

Adoption of the activators is simply a prerequisite for achieving the goals of California Two. No one could imagine that all of the programs of California Two could be put into effect fully, all at once, but over a period of time they are probably well within California's capacity. The activators set up procedures for planning, programming, and budgeting, long-range as well as short-range, by which the vital needs and desires of the public can be attained.

Each California Two activator is of manageable size for political adoption. The adoption of any one is in itself desirable and does not depend on the immediate adoption of the others.

The activators need not be put into effect in the order listed. In fact, they can all be advanced at once, or any one or more at a time.

Nevertheless, together they are intended to constitute essentials in a completed system operating effectively.

It must be noted that the full strength and purpose of the activators *cannot be compromised*. Half-way measures enacted as substitutes for an activator are worse than no action at all, for they pre-empt the field. They will undermine and defeat California Two in the name of "practicality."

The activators are:

1. TAKE EMERGENCY ACTION

To protect valuable lands of the state in immediate, critical danger of unhealthy change or destruction. This can be accomplished *within six months*, and should be, in order to forestall last-minute land speculation. The procedure involves, first, identification of the endangered areas within three months by the State Office of Planning and Research in the governor's office; and, second, enactment by the legislature of emergency open space zoning for the endangered lands, the zoning to remain in effect pending the adoption of a comprehensive state resource conservation and use policy and the institution of state zoning and other procedures to carry it out. (The California Two model of the application of such a policy can be found in the land section of this sketch plan.)

2. ADOPT GOALS

The legislature can identify and adopt basic goals for the state of California, after holding hearings on California's future before a joint committee of both houses. State goals would form the basis for developing and coordinating all state policies and programs. (This sketch plan identifies in the California Two narrative some basic goals and driving policies, which could be a good starting point for the legislative discussion. The California Two narrative also shows, in the Land, Structures, and People sections, how all major state policies can be organized around the driving policies.)

3. SET UP STATE PLANNING AND BUDGETING IN ONE STRONG AGENCY

Such an agency would be required to produce a plan for the future of California—a California Plan—within 18 months, and the plan would include corresponding long-term and yearly budgets. (A model state planning structure is outlined in this sketch plan in the California Two narrative. The entire California Two sketch is a model for a California Plan.)

4. ESTABLISH REGIONAL GOVERNMENTS

Strong regional governments are absolutely essential to the operations of California Two. To give all Californians, residents of metropolitan and outlying areas alike, representation at the regional level the legislature can establish major regional subdivisions of the state, set up the organization for a multipurpose government for each region, assign responsibilities to regional government, and provide for the necessary funding. (The California Two narrative of this sketch plan contains a model for regional government in California, and a method of financing massive regional improvement programs.)

5. ESTABLISH COMMUNITY COUNCILS

The legislature can require the establishment of community councils within the framework of local government in order to give strong voice to neighborhood needs and concerns.



This map and the accompanying text are from an Introduction to State Planning published in 1937 by the Hill Planning Board.

6. USE MODERN FACT GATHERING TECHNIQUES

The legislature can assure financing necessary to develop a comprehensive social/economic/resources model of the state of California as an essential tool for legislative and executive decision making. Monitoring and fact-gathering capabilities which would be provided by such a model are central to any responsible state planning operation (such as the one sketched out in the California Two narrative. A model of the kind that would be required is now in the formative stages at the University of California, Davis.

7. DEMAND FEDERAL ACTION

We can demand that the federal government make all federal grants and loans to the state and local governments contingent on the existence not only of strong state planning/budgeting operations, but comprehensive regional plans and budgets backed up by regional governments able to carry them out. Federal aid can thus become a partner in total regional improvement programs and the federal government and the general public can at long last be assured that tens of billions of dollars collected annually from taxpayers across the nation do not continue to be used in ineffective, disconnected programs. (All federal programs in the California Two model are contingent on strong regional planning and administration. For example, a Federal Conservation and Development Bank is ready to help finance massive, region-wide improvement programs.

In addition, Californians can openly and concertedly ask the federal government to institute other programs and policies essential to the well-being of the states. (These include, in the California Two narrative, a national income floor, national health care, and a variety of tax and fiscal reforms.)

8. TAKE THE RISK

The California Two planning model is a first attempt to find a path to decent survival. It requires that we change some of our ways of living and switch around some priorities on spending. It may require that we take certain risks—that to pay for a future of amenity, for example, we share the risk of reduced expenditures for war; or that to protect the bright land of California we risk inconvenience by forswearing the use of certain machines or products or poisons. But we can afford to take these risks and, to win the future, we will.

You are invited to become a member of California Tomorrow to assist us in identifying the environmental problems of the bright land of California, and finding ways of solving them. All members receive our quarterly journal, *Cry California*.

LES OLIVES, CALIF., January 17, 1972.

HON. ADLAI STEVENSON III,
U.S. Senate, Washington, D.C.

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HOW TO INVEST IN RANCHO DE LAS UVAS

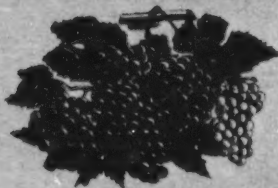
1. Remove the last two pages from the offering circular.
2. Sign and date at the bottom of the "Additional Limited Partners" page.
3. Fill out "Subscription Agreement" in full (both sides). Please print. Leave space marked "sub. #-----", at upper right corner, blank.
4. Sign on reverse side under Item 11.
5. For married investors, both husband and wife should sign both documents.
6. Make check payable to "Perhan Agricultural Enterprises, Ltd., for Impound Account, Bank of Tokyo".
7. Mail signed documents and check to: Oakwood Associates, 13763 Fiji Way, Marina Del Rey, Calif. 90291, Attn.: William E. Lynch.

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Perhan Agricultural Enterprises, Ltd., is the General Partner of Rancho de las Uvas Associates, Ltd.

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Min:	100	570,000	570,000	0
Max:	600	1,800,000	1,800,000	

⁽¹⁾ The General Partner, Perhan Agricultural Enterprises, Ltd., will pay or provide for all organizational, promotional, legal and accounting costs. These costs and expenditures will not be an obligation of the Partnership.



The date of this offering is November 10, 1971

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GENERAL INFORMATION

Formation of Partnership

Rancho de las Uvas Associates, Ltd., the "Partnership," is a Limited Partnership organized by its General Partner, Perhan Agricultural Enterprises, Ltd., a California corporation. The Partnership has been formed under the Uniform Limited Partnership Act of the State of California on November 17, 1971 to acquire and farm a total of approximately 1,170 acres of *tree fruit and vineyard properties* located in Yuba and Kern Counties, California, and which are referred to in this prospectus collectively as the "Property."

Offering

The Partnership is offering a maximum of 600 Limited Partnership Units at a price of \$3,000 per Unit. The minimum purchase required of a Limited Partner is one Unit or \$3,000. Fractional Units will not be sold. No payment will be required of a Limited Partner beyond the initial purchase price. If all Units are sold, the maximum gross proceeds from the sale of Units will be \$1,800,000. The Units are offered subject to prior sale. The General Partner reserves the right to refuse or limit subscriptions or to terminate the offering at any time.

The General Partner may sell the herein Units through its own efforts or by seeking the aid of other persons. Oakwood Associates has agreed with the General Partner to make its salesmen available to the Partnership, as agents of the issuer, for the purpose of selling the Units. The General Partner will not be separately compensated for its selling efforts, however, it will be the obligation of the General Partner to pay all other persons, including the salesmen made available by Oakwood Associates and the principals of Oakwood Associates, such compensation as may be agreed to between them. The General Partner will be paying such compensation from the real estate brokerage commission and other commission paid to the General Partner by the seller. See "Remuneration of General Partner" below. Under no circumstances will the partnership be obligated to pay any compensation to any person for the sale of the Units.

RISK FACTORS

(1) Investors should realize that vineyards and trees take several years to reach maturity and that there can be no assurance that the production therefrom will be commercially profitable. Adverse weather conditions can retard growth of the vines or the trees and in some cases, destroy them. Crops can be damaged by excessive rainfall at certain times of the year, particularly when vines or trees are blooming, and hail, windstorm or high temperatures may also adversely affect grape and fruit production. The vines and trees and crops may be damaged by insects, fungus or diseases.

(2) The harvest of the crops may be adversely affected by economic and social changes, including the elimination of the 10% Federal surcharge on imports and decreased consumption of American-produced table wines and fruits, increased importation of foreign-produced table wines and increased preference for dessert wines as opposed to *table wines*. The price for grapes and fruits may fluctuate widely from year to year and production in excess of market demand can depress selling prices. It is anticipated that the bearing acreage of vineyards and tree crops in California will increase in the future.

(3) Wine grapes are generally sold to wineries, some of whom also grow grapes, and will thus compete with the Partnership. Without a long-term grape contract, sales are generally negotiated from year to year. The price that may be derived from any sale is dependent upon the prevailing quantity and demand for the grower's crop. The price under a long-term grape contract may also

vary depending upon the existing market conditions for the respective year; however, a long-term contract will establish a minimum price provided the crop meets certain predetermined quality standards. The winery normally reserves the right to reject grapes which do not meet quality standards stated in the long-term grape contract. While the long-term grape contract presents a means of stabilizing the price per ton of grapes, the tonnage produced depends upon many factors (weather, absence or presence of disease, rains, etc.) and thus even if there is a long-term grape contract, the revenues realized may well vary greatly from year to year. The Partnership has reserved the right to either contract or not contract with wineries.

(4) Agricultural production in the areas in which the Partnership proposes to operate has been adversely affected by labor unrest during the past five years including labor strikes and a nationwide consumer boycott of California table grapes. Although a series of collective bargaining agreements, which have been entered into by the United Farm Workers Organizing Committee and certain California growers, including an affiliate of Yuba Orchards, are expected to reduce the unrest, no assurance can be given that labor shortages and other labor problems will not confront the Partnership. The use of mechanized equipment in connection with wine grape farming may, however, mitigate labor problems. At the present time, farm wage rates for the State of California generally exceed corresponding wage rates for most other states.

(5) Only a limited number of Units are being sold pursuant to this offering, and because of the limited transferability of Units under the Partnership Agreement, it is not expected that any public market will develop for the Units. Accordingly, an investment in the Units cannot be expected to be readily liquidated.

(6) The Partnership will compete with numerous farmers growing wine grapes and tree crops, many of which have substantially greater financial resources than the Partnership. Grapes and tree crops to be grown by the Partnership are sold in competition with a wide variety of other alcoholic beverages and fruits. It is further anticipated that the General Partner or Yuba Orchards may engage in activities from time to time which may create conflicts of interest between them and the Partnership, or which may place them in direct competition with the Partnership. In September, 1971, an affiliate of the General Partner formed a corporate General Partner of an unrelated Limited Partnership to engage in a business similar to that of the Partnership.

(7) It is expected that each holder of a Unit will be entitled to tax deductions to the extent of a substantial portion of his investment. Prospective investors are urged to carefully consider the material appearing under the caption "Federal Tax Consequences" to determine whether an investment in the Unit is suitable in the light of the investor's investment objectives and financial circumstances. Each investor is advised to consult his own tax advisor for more detailed information with respect to taxation of limited partnerships, the deductibility of prepaid expenditures, and the various other tax aspects of investing in the Partnership. Investors should, of course, consider the overall effect which the unavailability of the large deductions due to advance payments in 1971 would have on their individual tax liabilities for 1971 and subsequent years as well as the overall effect of the possibility of the disallowance of these deductions in 1971.

THE INDUSTRY AND THE PARTNERSHIP

Agricultural Products of the Partnership

The Partnership's business will consist of the farming and sale of three agricultural products: (1) grapes used in the production of standard table wines, (2) table grapes, and (3) nectarines and plums.

Wine Grapes

The popularity of wine in American consumption preferences is strongly accelerating. In 1970 it is estimated that 250 million gallons of wine were consumed in the United States.* By 1990 it is forecasted that the U.S. consumption will be 400 million gallons.*

In California wine consumption on a per capita, per adult, basis is twice that of the United States. Currently California wine consumption is approximately 4.7 gallons a year per adult. By 1990 wine consumption is projected to exceed six gallons per adult per year.* As a result of a projected 20% population increase in this state, California wine consumption should approach 90 million gallons by 1990, an increase of 60% over current levels.*

Consumer Preferences. The upward shift in wine demand has been marked by a concurrent shift in preference to *table wines* from dessert wines. The annual rate of increase for *table wines* has averaged in excess of 13% per year over the last five years and has accelerated to 20% for the 1969-1970 period.** By contrast *dessert wine* consumption has accounted for a shrinking segment of the industry during the comparable period.**

Of the 1,170 acres of Partnership property, 690 acres will be devoted to the growing of varietal grapes for production of *table wines*.

Varietal wines are named for the primary grapes used in making the wines and derive at least 51% of their volume from the grape bearing its name and must possess the aroma and flavor of that grape.

The varieties of wine grapes to be grown on the Partnership property are Barbera, Ruby Cabernet, and Zinfandel for *red table wine* production and French Columbard, Chenin Blanc and Emerald Riesling for *white table wine* production. Approximately 550 acres of the property will be planted to *red table wine* varieties and approximately 130 acres of the property will be planted to *white table wine* varieties.

Standard and Premium Wines. California wines are generally categorized as "premium" or "standard."

Premium wines are made from grapes which grow almost solely in a few Northern California coastal regions. Standard wines are made from grapes which grow in the fertile interior valleys of California. The price of a fifth of a gallon of premium wine is \$1.50 on the average, while the price of a fifth of a gallon of standard wine is \$1.00 on the average.**

While premium wines cost more than standard wines, they are the most difficult wines to make, requiring more care in ageing than standard wines. These wines are typically resistant to modern means of production and the economies of scale are generally not realized in their production.**

The grapes used in standard wines serve the broad base of the wine market and lend themselves to quick automated production and are able to benefit from the economies of scale when produced and grown in large quantities.**

The varieties of wine grapes to be grown by the Partnership are designed for the production of medium priced standard wines.

Production. The production of wine grapes by the Partnership will involve the use of special vines and automated procedures.

(a) **Vines.** Under the expected climatic conditions for the subject property, grape vines may begin to produce crops after the vines become three years old. The vines generally reach mature production after five years of age and with proper care may be expected to provide excellent production for over forty years.

*Bank of America, Outlook for the California Wine Industry, October, 1970.

**Fortune, *Happy Days for California Wines*, September, 1971.

In the best interests of production, quality and vine life, the new, special cologne vine selections of the University of California, which have been heat-treated to insure a virus-free vine, will be used in all of the Partnership vine plantings. While these special selections have shown an increase in production of from 30% to 200% above standard vines available within the state, the Partnership has not increased production estimates and it is not representing that there will be any increased production from these vines.

By using the heat-treated virus-free vines, even water distribution, irrigation, and overall good cultural practices for vine growth and development, the General Partner expects the vineyards planted to have good production of above average quality.

(b) *Automation.* The General Partner does not anticipate that the labor disputes and unionization, which have occurred in the table grape and other fruit industries, will have a material effect upon the Partnership's wine grape operations in view of the greater availability of mechanical harvesting equipment to materially reduce the number of employees that may be required during the harvesting season.

Table Grapes

The varieties of table grapes to be planted and grown on the property are Ribiers, Cardinals and Exotics for red or black table grape production and Thompson Seedless grapes for white table grape production. Approximately 90 acres of the property will be planted to red and black table grape varieties and approximately 345 acres of the property will be planted to white table grape varieties. Under the expected climatic conditions for the Kern property, table grape vines will begin to produce crops after the vines become three years old (the crop produced during the third and fourth years will be sold to the winery, rather than used for table grapes). The dark table grape varieties reach maturity after five years of age and with proper care, may be expected to provide excellent production for in excess of 20 years. The Thompson Seedless vines will reach mature production after five years of age and may be expected to provide excellent production for in excess of 40 years.

Trends. The total acreage in California devoted to table grapes increased since 1960 and the General Partner expects the acreage to continue to increase in the future. The following chart shows the bearing and non-bearing acreage in California based on the records of the "California Crop and Livestock Reporting Service."

	New Plantings					1969		
	1965	1966	1967	1968	1969	Bearing	Non Bearing	Total
All table grapes	5,911	4,196	1,495	429	290	74,234	1,633	75,867
Raisins	1,977	1,243	900	774	841	250,573	3,110	253,683
Wine grapes	7,690	6,719	4,287	4,660	5,639	132,459	14,941	147,400

The production of table grapes varies from year to year due to weather, farming practices, water conditions and many other factors. The following chart shows the total production in tons for the State of California from 1965 to 1970.

	1965	1966	1967	1968	1969	1970
Table grapes	650,000	650,000	435,000	470,000	665,000	330,000
Raisins	2,575,000	2,575,000	1,635,000	2,135,000	2,135,000	1,690,000

Prices. Prices received for table grapes vary according to supply and demand for the individual product and for substitute products. To a significant extent, prices vary as to whether the fruits are delivered early or late in the season. Fresh fruits delivered early in the season command higher prices than fruits delivered later in the season.

The harvesting of the table grapes grown on the Partnership property will take place early in the season due to the location of the property in the "early area" harvesting district. Early area districts are generally in the southern grape counties and enjoy favorable local climatic conditions.

Labor. The growing and harvesting of table grapes for the Partnership will be carried out through use of members of the United Farm Workers Union. Table grapes are no longer the subject of present union strife or boycotts.

Tree Fruit

Approximately 55 acres of the property are planted in tree fruit. The varieties grown on the property are Early Sungrande and Independence nectarines and Santa Rosa and El Dorado plums. The Kern properties are in the earliest tree fruit shipping district in the State of California and therefore normally expect premium prices for their production. Nectarines and plums normally reach mature production at five years of age and provide good to excellent production for approximately 30 years.

Trends. The total acreage in California devoted to tree fruit has increased since 1960, and the General Partner expects the acreage to continue to increase in the future. The following chart shows the bearing and non-bearing acreage based on the records of the "California Crop and Livestock Reporting Services."

	New Plantings					1969		
	1965	1966	1967	1968	1969	Bearing	Non Bearing	Total
All Plums	900	594	897	1,482	1,149	21,767	4,130	25,897
All Nectarines	373	610	805	1,527	1,405	7,325	4,427	11,752

The production of tree fruit varies from year to year due to weather, farming practices, water conditions and many other factors. The following chart shows the total production in tons for the State of California to 1970.

	1965	1966	1967	1968	1969	1970
Nectarines	67,000	68,000	55,000	64,000	66,000	66,000
Plums	113,000	95,000	96,000	106,000	67,000	123,000

Prices. As in the case with the table grapes, the Partnership tree fruits are in the early district and command premium prices.

Labor. The growing and harvesting of tree fruit will be carried out through use of the same union personnel as are used for the growing and harvesting of table grapes by the Partnership.

DESCRIPTION OF PARTNERSHIP'S PROPERTY

Acreage Breakdown

The 1,170 acre property which is being purchased by the Partnership is located in Kern and Yuba Counties, and presently, consists of both producing, non-producing and open ground. The Partnership is, however, purchasing the property with a commitment from the seller to pay for all capital expense involved in bringing into production the open ground and the non-producing acreage. In the case of non-producing acreage, the ground has been *planted*, but the crops are not yet producing; in the case of open ground, the ground has not yet been planted. The open ground is scheduled for planting in 1972.

The property has been divided into three separate and distinct parcels, as follows:

Parcel 1	300 acres
Parcel 2	470 acres
Parcel 3	340 acres
Total	<u>1,170 acres</u>

Breakdown of Parcels

The following is the breakdown by parcel of the producing, non-producing and open ground:

PARCEL 1		Acres	
Producing	115	Thompson Seedless Table Grapes	
Open Ground	245	To be planted to Wine Varietal Grapes	
	<u>300</u>		
PARCEL 2			
Producing	110	Thompson Seedless Table Grapes	
Producing	20	Ribiers	
Non-Producing	25	Planted to Table Grapes, 1 year old	
Producing	52	Nectarines	
Producing	20	Plums	
Open Ground	90	To be planted to Table Grapes	
Open Ground	130	To be planted to Wine Varietal Grapes	
	<u>470</u>		
PARCEL 3			
Producing	55	Thompson Seedless Table Grapes	
Producing	105	Wine Varietal Grapes	
Open Ground	180	To be planted to Wine Varietal Grapes	
	<u>340</u>		
Total	1,170		

Distribution of Crops

Presently, the acreage distribution of wine grapes, table grapes, tree fruits and non-producing acreage is as follows:

Type	Acres
Wine grapes	105
Table grapes	335
Tree fruit	75
Non-producing	655
Total	<u>1,170</u>

By spring of 1973 the distribution of planted acreage will be:

Wine grapes	880
Table grapes	435
Tree fruit	55
	<u>1,170</u>

Location of Property

Yuba County. The portion of the property in Yuba County is located four miles east of the center of Marysville, California, on the north side of the Hammonton-Smartville Road. It is two miles east of the town of Linda, which is a suburb of Marysville. Marysville is 50 miles north of Sacramento and 120 miles northeast of San Francisco.

Kern County. The portion of the property in Kern County is located in the Arvin-Lamont district, southeast of Bakersfield, California, adjacent to the city of Lamont and near the city of Arvin.

Soil

The soils of the property in Yuba County are alluvium laid down by the Yuba River. They vary in texture from medium coarse sand to clay. The sand is found in strata at different depths, mostly in the northwestern part of the property. These sand strata were left by streams or rising flood water and are limited in breadth and thickness. In a few places they are on the surface, but usually they are between layers of silt or clay. Occasionally, gravel is intermixed, but very little of the surface is gravelly.

The soils of the property in Kern County are uniformly sandy silts. They are free from alkali, sand streaks and all have average to good infiltration rates and available moisture retention qualities. They are fertile, deep soils, well-suited to deciduous trees and grapevines.

In the General Partner's opinion, the chemical analyses indicate the fertilization program for this portion of the property should include nitrogen, phosphorous, potassium and calcium. These elements are deficient in much of the land in the Central Valley of California. The soils are all free from alkali and detrimental salts and are considered to be suitable for growing trees and vines. The property is relatively flat terrain with sufficient grade for adequate drainage.

Water Resources and Irrigation

The vines and trees will require a minimum water supply of 34" per year per acre for proper growth and crop production. To the extent that rainfall is insufficient, the Partnership will be dependent upon water supplied from wells.

For the Yuba property water for irrigation is supplied by 15 turbine pumps, installed in drilled wells. The pumps which are in current use, have not been tested since 1967. It is estimated that their total discharge at this time is approximately 14,000 gallons per minute, or more than 18 gallons per minute per acre for each acre of land within the boundaries of the property. This is more than ample to supply the needs of the crops.

It is reported that water levels have not been receding, which indicates that the natural recharge in the basin is at least equal to the annual withdrawal.

All of the parcels in Kern County are irrigated from wells, with electric motor drive, vertical turbine pumps. Well depths range from 600-820 feet.

The Arvin-Edison Water Storage District will make supplemental water available beginning 1972.

Static water levels are estimated to be about 275 feet below ground surface.

Climate Conditions

The climate in the Yuba property is warm in summer and cool in winter. Data on relative humidity and evaporation are not reported for Marysville, but the relative humidity is considered to be moderate to low. There is minimal danger of spring frosts which could damage grapes.

Table wines are valued for the special qualities produced by certain varieties of grapes. One important quality is the acid-sugar ratio of the grapes at harvest time. A factor which is believed to influence this quality is the air temperature during the fruiting season.

The climate in the area is also suitable for producing fresh summer fruits.

Zoning

The Kern property is zoned to agricultural uses exclusively. The Yuba property is zoned to general agricultural use. The use to which the Partnership intends to put the property is consistent with its zoning.

THE GENERAL PARTNER

Perhan Agricultural Enterprises, Ltd.

The General Partner, Perhan Agricultural Enterprises, Ltd., is a California corporation formed on September 27, 1971, by its principals for the purpose of acting as General Partner in real estate syndications. The General Partner will be capitalized at \$250,000 in cash.

The General Partner's corporate offices are located at 2015 Brundage Lane, Bakersfield, California 93302.

Principals of General Partner

The following is a description of the principals of the General Partner and their backgrounds:

Clarence A. Hansen, Chairman of the Board of Directors. Mr. Hansen is also Chairman of the Board of Directors of an affiliate, Perhan, Incorporated, a California corporation specializing in agricultural development programs. He formerly was employed by a major California bank for approximately 20 years and served as branch manager in the San Joaquin Valley. He graduated from UCLA where he majored in business administration. Mr. Hansen has syndicated vineyard and other crop packages over the past few years. He is a California licensed Real Estate Broker and Perhan, Incorporated is a licensed Real Estate Brokerage firm.

Larry E. Perry, President and Director. Mr. Perry is also President of Perhan, Incorporated. He has actively managed real estate investment properties and has served as a real estate consultant for many years. He attended Bakersfield College and successfully completed many California Real Estate Association specialized tax and investment education courses. Mr. Perry has syndicated vineyard and other crop packages over the past few years. He is a California licensed Real Estate Broker and Perhan, Incorporated is a licensed Real Estate Brokerage firm.

Gary E. Cooper, Vice President, Director, Secretary-Treasurer. Mr. Cooper is an attorney admitted to practice in the State of California, specializing in taxation and estate planning. He received his LLB and LLM (in taxation) from New York University. He frequently lectures on aspects of taxation and has authored numerous articles dealing with his specialty.

Services

General Duties. The General Partner under the Uniform Limited Partnership Act of the State of California and the provisions of the Limited Partnership Agreement has exclusive control and responsibility over the business of the Partnership, including the power to assign duties, to sign all contracts, and to assume direction of business operations. Such responsibilities include the establishment and maintenance of proper Partnership records and accounts and the deposit and disbursement of the Partnership funds. In addition, the General Partner must oversee and supervise all those who provide specialized services on behalf of the Partnership, such as cultural, farm management, harvesting, marketing, sales. The General Partner will be responsible for preparing in each year up to 600 income tax information returns for the Limited Partners, overseeing all transfers of Limited Part-

nership interests, obtaining consents to transfer from the Corporations Commissioner, and preparing related documentation. The General Partner also will have the duty of recording Certificates of Limited Partnership, amendments to the Certificates, and filing Fictitious Business Name Statements.

Other Activities. The General Partner will apply itself to the business of the Partnership and devote as much time as is reasonably necessary for the business of the Partnership. However, the General Partner shall not be bound to devote all of its business time to the affairs of the Partnership, it being understood that it and its affiliates will engage in other activities and in other employment. It is possible that certain anticipated activities of the General Partner and its affiliates may create conflicts of interest between its affiliates and the Partnership or that such activities may place the General Partner or its affiliates in direct competition with the Partnership.

Organizational Costs and Commissions. The General Partner shall bear and be responsible for the payment of all organizational costs of the Partnership, including legal, accounting, printing, promotional, escrow closing and recording. In addition, the General Partner shall pay for all sales commissions to be paid to broker-dealers receiving a commission for the sale of the Units being offered hereby.

Remuneration

The General Partner will receive the following remuneration:

Real Estate Broker's Commission. The General Partner will be paid a real estate broker's commission by the seller of the property equal to 10% of the sum of the sales price of the property to the Partnership, and all of the cash payments, except for the cash down payment, being paid by the Partnership to the seller in connection with the purchase of the property.

Subordinated Interest. As compensation for the services to be performed by the General Partner, the General Partner will be entitled to a 10% subordinated interest in the Partnership, as follows:

(a) **Cash Available for Distribution.** The General Partner will receive 10% of the net annual cash available for distribution received by the Limited Partnership. This fee will be subject to the right of the Limited Partners to receive first from available cash for distribution a cumulative return of 6% per annum on their invested capital. ("Cash available for distribution" does not include proceeds from refinance or sale of properties.)

(b) **Profits on Resale.** The General Partner will also receive 10% of the net proceeds upon sale of the Partnership assets and/or refinance, subject to the return to the investors of 100% of their invested capital plus any undistributed cumulative payments of 6% per annum on their invested capital.

VINEYARD AND TREE FRUIT OPERATION

An operating vineyard and the tree fruit groves generally require two different kinds of services, known as "Cultural" and "Farm Management" services which include marketing of the crops.

Cultural and Farm Management Contract

The General Partner has caused the Partnership to enter into a Cultural and Farm Management Contract with Yuba Orchards, Inc., an affiliate of the seller, under which Yuba Orchards agrees to perform the cultural and farm management services for the Partnership.

Cultural Services

The cultural services to be performed by Yuba Orchards include cultivating the vineyards and groves, hand weeding, weed control, pruning, tying, vine training, irrigating, supplying water, fertilizing, taking insect and pest control protection measures, field supervision, spraying and girdling.

Farm Management Services and Marketing

Yuba Orchards, Inc. will as part of its farm management services direct and contract for the hire of tractor and mobile farm equipment and for the harvesting, packing, storage and selling of the crops. Yuba Orchards, Inc. may contract with affiliates to perform these services. In addition to regular farming functions to be performed by Yuba Orchards, Inc., it will perform extraordinary farming services needed to maintain the vineyards and groves, such as replacing dead and unhealthy vines and plants, fumigation, and expanding or improving existing water distribution systems.

Included in Yuba Orchard's services to be rendered will be the marketing of the vineyard and tree fruit crops.

Yuba Orchards, Inc. through affiliated companies has various outlets for the production of wine grapes. Its affiliates marketed grapes during the 1970 crushing season to Bear Mountain Winery, Vie-Del Winery, Sierra Winery, Roma Winery, Sebastiani Winery, United Vintners, a division of Hueb-lein, Inc., Sanger Winery and Del Rey Winery. In addition, these affiliates shipped in excess of 200 railcar equivalents of wine grapes boxed for home wine making to Canada and the Eastern United States.

The Farm Manager will contract with the Federal Fruit Distributors, an affiliate of the Farm Manager, for the harvest and sale of its table grapes and tree fruit. Federal Fruit Distributors has been in the business of marketing tree fruit and grapes produced in the State of California since 1923.

However, no assurance can be given that the crops produced by the Partnership will be marketable or if, marketable, that they will be salable at prices yielding a profit.

Cultural Costs and Prepayment

It is expected that the Partnership will incur the following cultural costs in the first two and one-half years:

1972	1973	First Half of 1974	Total
\$491,000	\$491,000	\$245,500	\$1,227,500

The funds for the payment and cultural costs will be paid to Yuba Orchards which will disburse them in payment for items of cultural expense incurred on behalf of the Partnership. The cultural costs for the first two and one-half years will be prepaid by the Partnership at close of escrow for the purchase of the property. Depending on the cost of the actual disbursements, Yuba will earn a fee of approximately 9% on the prepayment by the Partnership of cultural costs, over the term of the prepayment. This fee may be more or less than 9%, depending on actual cultural costs.

Responsibility for Costs

Under the terms of the Farm Management and Cultural Contract, to the extent Partnership income is insufficient from crop sales, Yuba Orchards agrees to provide for, and if necessary, to absorb, and pay for all cultural costs (except for the first two and one-half years of cultural costs prepaid by the Partnership), administrative costs, property taxes, insurance, growing and harvesting costs, management costs and all principal and interest payments the Partnership must pay on note being given by the Partnership to the seller as part of the purchase price of the property and all interest on any loans borrowed to meet operating needs of the Partnership. Yuba may place crop mortgages on the property, if necessary, to finance these costs.

Ten Percent Return to the Limited Partnership

Yuba Orchards covenants to perform its management, cultural, harvesting, sales and marketing services in such a manner as to yield to the Partnership a return of \$180,000 per annum (i.e., 10% of the Limited Partnership's original capitalization of \$1,800,000), after payment of all cultural,

harvest, sales, marketing, management, insurance, property taxes, and all principal and all interest debt service to which the Partnership may be subject, including principal and interest payments on the note given as part of the purchase price of the property.

Excess to Yuba Orchards

In return for performing the aforementioned management and cultural, harvesting and marketing services and assuring the Limited Partnership \$190,000 return per annum, Yuba Orchards, is entitled to receive, under its Management and Cultural Contract with the Partnership, all excess proceeds derived from the sale of crops.

Term

The term of this contract shall be 20 years. However, after 10 years, Yuba shall no longer be required to make \$190,000 per annum on payments nor shall it be responsible for said costs. The fee then payable to Yuba shall be in accordance with the then standard management fees.

BUSINESS

Purchase of Property

The property being acquired by the Partnership is presently planted with wine grapes to the extent of 105 acres; with table grapes to the extent of 335 acres and with tree fruit, to the extent of 75 acres, and undeveloped to the extent of 655 acres, as set forth earlier under "Distribution of Crops."

The General Partner, however, has entered into a contract with the seller, on behalf of the Partnership, which provides that as part of the purchase price for the 1,170 acres being purchased by the Partnership, by the spring of 1973, the crop distribution will consist of 660 acres planted to wine grapes; 435 acres planted to table grapes and 55 acres planted to tree fruit, at which time the varieties of wine grapes, table grapes and tree fruit will have been either planted on the Partnership property by the seller, or pre-existing, will be as set forth in the following chart:

<u>Wine</u>		<u>Acres</u>
Barbera		190
Ruby Cabernet		270
Zinfandel		90
Chenin Blanc		45
Emerald Riesling		5
French Columbard		80
<u>Table</u>		
Thompson Seedless*		345
Ribiers		40
Cardinals		40
Exotics		10
<u>Nectarines</u>		
Early Sungrande		30
Independence		35
		<u>1,170</u>

*Twenty acres presently planted to plums will be removed by seller and replanted by seller to Thompson Seedless grapes in the spring of 1973.

Furthermore, the seller agrees to plant a minimum of 519** vines per acre, 95% of which will be growing and healthy by the end of the third year after the purchase.

Furthermore, under the contract negotiated by the General Partner, the purchase price includes the cost of all planting, plants, stakes, wire, irrigation systems and land preparation for planting.

Price and Terms

The seller of the property is Federal Fruit Distributors. It presently owns all of the 575 acres consisting of the Yuba property and has in escrow the 595 acres consisting of the Kern property.

Purchase Price. The total purchase price of the 1,170 acres is \$3,180,000, consisting of \$200,000 in cash down on principal and a note and all-inclusive trust deed of \$2,980,000 for the balance of the purchase price.

All-Inclusive Trust Deed. The note secured by the all-inclusive trust deed bears interest at the rate of 6.5% per annum from close of escrow. The interest on the note is payable in annual installments of \$193,700 through 1977, and will be prepaid each December 31, commencing December 31, 1971, for the following year. The prepayment for 1972 will be made at close of escrow for the purchase of the property. On December 31, 1978, the prepayment of interest for the following year will amount to \$185,900 and on December 31, 1979, the prepayment for the following year will amount to \$139,100. Thereafter interest will accrue annually on the unpaid principal balance and will be payable annually on each December 31st.

Principal payments commence December 31, 1977, and are payable in annual installments of \$120,000 on December 31 of each year through 1995, and then by a final payment of \$700,000 in December 1996.

Points and Prepaid Interest. The purchase terms require a payment of six points to the seller for taking back the all-inclusive loan and prepayment of \$193,700 which is the interest for the year 1972.

Other Prepayment. In addition, as explained earlier under heading "Cultural and Farm Management Contract," the buyer is required to prepay to the seller's affiliate, Yuba Orchards, \$1,227,500 in cultural costs for the years 1972, 1973 and half of 1974 to be used for payment of the Partnership's cultural costs for that period.

Pledge of Equity in Underlying. At the close of escrow the property will be subject in the aggregate to \$1,482,149 in underlying encumbrances. Thus the seller will have an equity of \$1,497,851 in its all-inclusive. The seller has agreed to pledge this equity as security for its and Yuba's obligations to the Partnership. Seller further agrees that in the event of Yuba's default seller will assume Yuba's obligations and rights, under its management and cultural contract.

No Deficiency Judgment. The seller has agreed to look only to the security and in the event of default by the Partnership on the all-inclusive note, there will be no deficiency judgment against the Partnership.

**The twenty acres of Thompson Seedless grapes will be planted at the rate of 518 vines per acre.

Use of Proceeds

The proceeds of the offering and the financing taken back by the seller will be applied as follows:

Purchase

Cash down on principal	\$ 200,000	\$ 200,000
All-inclusive trust deed @ 6.5%	2,980,000	
Total	\$3,180,000	

Other Payments

Six points to seller	\$ 178,800	
Prepaid interest to seller @ 6.5%, one year	190,700	
Prepaid cultural services to Yuba for 2 1/4 years	1,227,500	
Total	\$1,600,000	\$1,600,000
Total Cash Outlay		\$1,800,000

PARTNERSHIP PURCHASE PROGRAM**Allocation of Purchase Price to Parcels**

Under its Agreement of Purchase with the seller, the Partnership may purchase all or any of the three parcels comprising the 1,170 acre property. *The full 1,170 acres consisting of all the three parcels will be purchased only if all of the 600 Units being offered are sold.*

The General Partner has determined the minimum number of Units which must be sold in order to purchase parcels one through three respectively, as follows:

Parcel Number	Acreage	Developed Purchase Price	Money Raised	Number of Units Required to be Sold to Meet the Purchase Terms
1	360	\$1,007,100	\$ 570,000	190
2	470	960,570	555,000	185
3	340	1,192,330	675,000	225
	1,170	\$3,180,000	\$1,800,000	600

After the purchase of parcel 1, the order of the purchase of the parcels will be determined at the discretion of the General Partner.

In the event the total 600 Units are not sold, the Partnership will buy as many of the said parcels as the number of Units sold permits.

Allocation of Cash Raised to Parcels

The cash being raised from this offering will be allocated according to the table below which sets forth the application of funds assuming the acquisition of each parcel separately and assuming the acquisition of all parcels.

	Parcel 1	Parcel 2	Parcel 3	Total
To be Capitalized:				
Cash payment on purchase of land	\$ 63,500	\$ 61,750	\$ 74,750	\$ 200,000
To be Expensed:				
Interest	61,334	59,783	72,643	193,760
Finance fee	56,616	55,129	67,065	178,800
Cultural costs	388,550	378,306	460,553	1,227,500
Sub Totals	\$506,500	\$493,250	\$600,250	\$1,600,000
Total	\$570,000	\$555,000	\$675,000	\$1,800,000

Pro Forma Capitalization

The following table reflects the capitalization of the Partnership after giving effect to the sale of (a) 190 Units and the purchase of 360 acres contained in parcel 1; (b) 185 Units and the purchase of 470 acres contained in parcel 2; (c) 225 Units and the purchase of 340 acres contained in parcel 3; and (d) 600 Units and the purchase of 1,170 acres contained in parcels 1, 2 and 3.

	<u>/J-Inclusive Installment Trust Deed Notes @ 5%</u>	<u>Limited Partners Capital</u>
(a)	\$ 943,000	\$ 570,000
(b)	918,820	555,000
(c)	1,117,590	675,000
(d)	2,980,000	1,800,000

IMPOUND**Initial Impound**

Payments made by subscribers for the purchase of the Units will be promptly transmitted to the impound holder, Bank of Tokyo at Shraw Avenue Branch, Fresno, California. The impound holder has agreed to hold all such funds in escrow for the benefit of the purchasers of Units and to transmit such funds to the Partnership when at least 190 Units have been sold. The funds paid for each Unit will be promptly refunded unless a minimum of 190 Units are sold by December 31, 1971.

Obligations of Seller

The General Partner has obtained a commitment from the seller whereby the seller has agreed to accept in payment all Units from the 190 Units remaining unsold as of December 31, 1971, in lieu of the cash payments required to be made in connection with the purchase of parcel 1, to the extent that the said Units remain unsold. The Units so accepted by the seller shall be deemed "sold" for the purposes of the impound. At seller's option, it may similarly accept Units in lieu of the cash payments required to be made for parcels 2 and 3.

Sequential Impound

When the first 190 Units are sold, the investors who purchased the Units will be admitted as Limited Partners of the Partnership.

Thereafter and until the total 600 Units are sold all funds raised from the sale of subsequent Units will be placed in escrow with the impound holder until enough Units have been sold to purchase either of parcels 2 or 3. When sufficient Units have been sold to purchase a particular parcel the funds raised from the Units in respect of such parcel will be released to the Partnership and the investors who purchased the Units in respect of such parcel will be admitted as additional Limited Partners.

The number of Units which must be sold in respect of each parcel are as follows:

<u>Parcel Number</u>	<u>Respective Units</u>
1	190
2	185
3	225
Total	600

Cut Off Date

Any investor who has not been admitted as a Limited Partner pursuant to the procedure outlined above by the 180th day from the date of the prospectus will receive back the full amount of his contribution without deduction or offset.

Investors will be admitted on a first-to-purchase, first-to-become a Partner basis.

SUITABILITY STANDARDS

This offering is limited to investors who have a minimum taxable income of \$40,000 and a net worth of \$50,000, exclusive of personal home, furnishings and automobile (or who have a net worth of \$100,000, exclusive of personal home, furnishings and automobile), and who are residents of the State of California, are 21 years of age or over, and who are purchasing for his, her or its own account (or that of a minor child or ward of such person) with the intention to hold for long term investment rather than resale.

INVESTMENT CHARACTERISTICS

Division of Annual \$180,000

Under the Management and Cultural Contract the Limited Partnership is scheduled to receive \$180,000 a year through the efforts of Yuba Orchards in turning the crop sales into account.

The General Partner pursuant to the Limited Partnership Agreement is entitled to 10% of the cash available for distribution after the Limited Partners receive 6% cumulatively on their invested capital. The remainder goes to the Limited Partners exclusively. Thus the \$180,000 would be allocated annually as follows:

First: to the Limited Partners 6% of \$1,800,000	=	\$108,000
Second: to the General Partner 10% of \$180,000	=	18,000
Last: to the Limited Partners excess	=	54,000
Total allocation to Limited Partners		\$180,000
		<u>54,000</u>
		\$180,000

Division of Net Proceeds from Sale

In the event of a profitable sale and/or refinance of Partnership properties, the General Partner would be entitled to 10% of the net profits after the Limited Partners first receive:

- (a) any arrearages in their 6% cumulative return
- (b) 100% of their invested capital

SUMMARY OF LIMITED PARTNER'S INVESTMENT

Tax Savings

It is expected that the distributive share of the Partnership losses reportable in 1971 per Unit will be approximately \$2,667.00 or 88.9% of the \$3,000 investment per Unit.

Cash Flow

For each \$3,000 Unit purchased by the investor it is projected in Exhibit B attached herewith that by the end of 1976 the investor will have received back in after tax cash flow 87% of his invested capital. For the period January 1, 1972, through 1976, this amounts to an average annual return of 17% per annum. This does not include the equity build-up on the property.

FEDERAL TAX CONSEQUENCES

It is expected that each holder of a Unit will be taxed as a Partner. Each year the Partnership, reporting its operations on a cash basis for a calendar fiscal year, will file a Federal information tax return. Each Partner will be required to report on his personal Federal income tax return, his distributive share of the Partnership's income, gains, losses, deductions or credits, whether or not actual distribution is made to him for the taxable year of the Partnership ended within or with his taxable year. Limited Partners will receive a report annually containing information with respect to the Partnership to be used in the preparation of their individual tax returns.

The Partnership will be entitled to deduct operating expenses, including expenses for management services, income taxes, insurance, materials and supplies used in the cultivation of the vineyards and fruit trees and when vineyard improvements or fruit tree improvements, aside from current expenses are made, they will be capitalized and the depreciation may be taken over the bearing life once the vines or trees reach the income-producing stage. While the partnership will utilize depreciation methods and useful lives consistent with the farming operations in the same geographical vicinity where partnership property is located, there is no assurance that such method or useful lives will be accepted by the IRS. Some vine or tree depreciation on vine or tree improvements may be subject to recapture as ordinary income in the year of sale. Otherwise, the gain on any sales of vine or tree improvements is generally reportable as capital gains. However, depending upon individual circumstances, provisions of the Tax Reform Act of 1969 have limited the amount of capital gains available to certain taxpayers. The gain from sales and other dispositions of certain classes of farm business property will be taxed as ordinary income to the extent of the taxpayer's post-1969 accumulated losses that have been used to reduce non-farm income above certain dollar limits for individual taxpayers.

Gain realized on the sale of a Unit by a holder who is not a "dealer" and who has held such Unit for more than six months will be a long-term capital (subject to depreciation recapture, if any, and possibly subject to farm loss recapture, if any) except that the portions of the proceeds of sale attributable to such holder's share of the Partnership's income and unrealized receivables will be taxed at ordinary income tax rates. Depending on individual circumstances, tax benefits, subject to limits imposed by the Tax Reform Act of 1969, may also be obtained by the contribution of a Unit to charity to obtain a charitable deduction or by a gift to children or other related persons in lower income tax brackets.

It is expected that the distributive share of the Partnership losses reportable in 1971 by each Limited Partner will be approximately \$2,667.00 for each Unit. In future years, each holder of a Unit will be entitled to deduct his distributive share of any losses sustained in such years, to the extent of the adjusted tax basis of his Unit.

The Partnership will be required to pay a financing fee of six percent of the indebtedness arising out of its purchase of the land from the seller to prepay up to 12 months interest on such indebtedness and to make advance payments of two and one half years cultural costs. The Partnership intends to deduct these amounts from gross income in the years paid in reporting taxable income on its information return. A ruling issued by the Internal Revenue Service permits current deductions of interest prepaid "for a period of not in excess of the 12 months of taxable year immediately following the taxable year in which the prepayment is made only in those cases in which such deductions do not result in a material distortion of income." The Internal Revenue Service may take the position that these prepayments of interest (including the financing fee) are not deductible in 1971. Furthermore, the Internal Revenue Service has taken the position in some previous cases that advance payments of fees for farm management services and supplies may be deducted only in the year the services are performed and the supplies are used. Moreover, by virtue of the relationship between the seller and the farm manager, the IRS may take the position that payments made to the farm manager be treated for federal income tax purposes, as though made directly to the seller. By virtue of the fact that the farm manager is guaranteeing a specific return to the partnership and is entitled to receive any excess proceeds, the IRS may take the position that the farm manager is a co-venturer with the partnership.

The Partnership should be entitled, in the year of payment, to deduct operating expenses, including expenses for farm management services, cultural costs, interest, taxes, insurance, materials and supplies used in the cultivation of the vines and the groves and depreciation on vines and grove improvements (vines, trees, irrigation systems, buildings, roads and reservoirs), as described above. However, the Partnership has been advised that the Internal Revenue Service may contend that some of these expenses are deductible only in later years. The application of the so-called "farm loss" provisions of the Tax Reform Act of 1969 (section 1251 of the Internal Revenue Code) will not result in the disallowance of any of these deductions in the years in which they would otherwise be allowable; thus those deductions otherwise allowable in 1971, for example, will not be disallowed as a result of section 1251, although they may be recaptured, as described below, to some extent in a later year upon sale of Partnership Units.

Although no clear guidelines exist, it would appear that plum and nectarine trees would not be classified as citrus groves. Accordingly, section 278 of the Internal Revenue Code, which requires the capitalization of any amounts which are attributable to planting, cultivation, or maintenance, would not apply.

Gain realized on the sale of a Unit by a holder who is not a "dealer" and who has held such Unit more than six months will be a long-term capital gain (subject to depreciation recapture, if any), except that the portion of the proceeds of sale attributable to such holder's share of the Partnership's income and unrealized receivables will be taxed at ordinary income rates. In addition, section 1251 of the Internal Revenue Code requires that certain amounts of gain on the sale of a Partnership interest be treated as ordinary income rather than capital gain, but only to the extent of such selling Partner's "excess deductions account." An "excess deductions account" must be maintained by each Partner. He will credit to his account his distributive share of farm net losses for each year from all farming ventures in which he has participated, but only to the extent that his distributive share of all such "farm net losses" exceeds \$25,000. This provision is cumulative; thus, each Partner in the Partnership must add all of his "farm net losses" from all farming investments in a given year before deducting the \$25,000 floor to compute his "excess deductions account." However, notwithstanding this rule, if the individual has less than \$50,000 of "non-farm adjusted gross income" for said year, no addition to the "excess deductions account" need be made. This account is decreased by the Partner's distributive share of "farm net income" and increased by the amount of his distributive share of "farm net losses" reported in succeeding years. When farm property is sold in later years, gain which would otherwise be taxable as capital gain will be treated as ordinary income to the extent of the balance in the selling Partner's "excess deductions account."

If and when the Partnership sells any of its farm land, the Tax Reform Act of 1969 also provides that the Partners may be subject to the recapture of certain other deductions. To the extent the Partnership takes advantage of certain special deductions for soil and water conservation expenditures and land clearing operations, all or part of these deductions could later be recaptured upon a sale or other disposition of the land. If the land is sold within the first five years after it was acquired, all of these conservation and land clearing deductions would be recaptured; and if the land is sold more than five, but less than 10 years after acquisition, the percentage of deductions recaptured is decreased by 20% for every year more than five that the land is held.

The Tax Reform Act of 1969 also restricts the deductibility of interest paid to purchase or carry "investment property." The term "investment property" does not include property used in a trade or business and the Partnership has been advised that according to the weight of current authority it would be considered to be engaged in a trade or business (although no regulation on this new provision has yet been issued). For example, any interest expenditures incurred by the Partnership to purchase its vineyards, would be considered to be interest expense in connection with a trade or business rather than interest expense in connection with an investment. Thus, such interest deductions could be claimed in full by the Partners. However, by virtue of the fact that the farm manager is guaranteeing a specific

return to the Partnership, the IRS may take the position that the farm manager is, in effect, a lessee and that the Partnership holds its property subject to a net lease, in which event interest paid by the Partnership may be deemed investment interest."

Although the minimum tax was also enacted as part of the Tax Reform Act of 1969, the only "tax preferences" resulting from Rancho de las Uvas Associates, Ltd. activities which would be subject to the 10% minimum tax would be the difference between accelerated and straight line depreciation and any capital gains arising from the future sale of vineyard property, improvements or equipment. "However, the IRS may take the position that the Partnership holds its property subject to a net lease, in which event interest paid by the Partnership will also be deemed to be an item of tax preference."

Title to the real property will be in the Partnership. All depreciation and tax deductions stemming from the vines or improvements affixed to the property will therefore inure to the Partnership.

The Partnership will not own any mobile equipment such as tractors or other farm equipment. This equipment will be supplied by affiliates of the Yuba Orchards, and the charges for the use of this equipment will be that which prevails in the industry. The Partnership will, therefore, be entitled to the full deduction for the costs of the use of the equipment.

The property of the Partnership may be given as collateral to a bank or other financial institution for the purposes of annual crop loans, if needed for farming operations. The cost of such loan and the repayment of such is the responsibility of Yuba Orchards and will under no circumstances encumber anything other than the crop to be produced on the property should the proceeds from sale of crops be insufficient for repayment of said crop loan.

This summary of tax consequences is based on the advice of Freshman, Marantz, Comsky & Deutsch, Law Corporation, counsel to the Partnership, and is subject to changes in the applicable law. The Partnership has not requested a ruling from the Internal Revenue Service with respect to the deductibility in 1971 of prepaid interest, other advance payments, the specific application of the provisions of the Tax Reform Act of 1969, or any other matters set forth above.

Each investor is advised to consult his own tax adviser for more detailed information with respect to taxation of limited partnerships, the deductibility of the prepaid expenditures described above, and the various other tax aspects of investing in the Partnership. Investors should, of course, consider the overall effect which unavailability of the larger deduction due to advance payments in 1971 would have on their individual tax liabilities for 1971 and subsequent years as well as the overall effect of the possibility of the disallowance of these deductions in 1971.

APPRAISAL OF VALUE

On June 1, 1971, Charles H. Sortor, A.S.A., 503 Rowell Building, Fresno, California 93721 appraised the fair market value of the property to be \$4,191,000.

DESCRIPTION OF LIMITED PARTNERSHIP

The following are the principal features of the Limited Partnership:

- (a) Name: Rancho de las Uvas Associates, Ltd.
- (b) Address: 2015 Brundage Lane, Suite 202, Bakersfield, California 93302; telephone (905) 327-0901.
- (c) Primary Purpose: The ownership and farming of vineyard and tree crop property for investment benefits.
- (d) General Partner: Perhan Agricultural Enterprises, Ltd.; all overall administrative and managerial duties and responsibilities.

(e) **Limited Partners:** The investors; liability limited to capital contribution. The Limited Partners have no managerial rights, but have the right by majority vote to replace the General Partner, and with the General Partner's concurrence to sell the property or terminate the Partnership, and have the right to inspect records, receive accounting; receive all tax losses of the Partnership.

(f) If the General Partner is removed, his subordinate interest in the Partnership is appraised and the interest converted to equivalent Limited Partnership interest.

(g) **Reports to Limited Partners:** The General Partner will furnish the Limited Partners with annual reports containing certified financial statements. It will also furnish annual reports to the Limited Partners to be used in preparing the investor's personal Federal income tax returns.

(h) **Term and Dissolution:** The Partnership will continue until December 31, 1999, but may be dissolved earlier as provided in the Agreement. Upon dissolution, any remaining assets, after payment of all liabilities, will be distributed per said Agreement.

(i) **Transfer of Interest:** The General Partner has the right in the event of a transfer to purchase the interest, and consent of the General Partner is required but may not be unreasonably withheld. If required, the Corporation Commissioner's approval may be necessary.

(j) **Tenancy in Common:** If the dissolution of the Limited Partnership should occur at any time before the sale of all the Partnership property, title to the property may devolve to the Limited Partners as tenants in common. The ownership of the property in tenancy in common by the investors may create difficulties in the management and disposition of the property.

INSPECTION OF DOCUMENTS

The subscribers are invited to inspect the application for the herein permit filed with the Los Angeles Office of the Corporations Commissioner and any exhibit thereto at the office of the General Partner at 2015 Brundage Lane, Suite 202, Bakersfield, California. For a more complete elaboration of the points made in the Prospectus and an examination of all the underlying documents, it is suggested that the investors avail themselves of this opportunity. Particular attention is called to the Purchase Agreement, the Farm Management and Cultural Agreement, all of which are available for the investors' examination. References to the documents in the Prospectus are summary references only and are qualified by such references.

LEGAL OPINION

Legal matters in connection with the sale of the Limited Partnership interests offered hereby will be passed upon by Freshman, Marantz, Comsky & Deutsch, Law Corporation, 9171 Wilshire Boulevard, Suite 530, Beverly Hills, California 90210, which firm also represents the General Partner. Investors desiring legal counsel regarding the Limited Partnership or any other matters contained herein should secure independent counsel of their own selection, which arrangements will be at their own expense.

REPRESENTATIONS

Neither the General Partner nor any affiliate nor any person or entity acting in any capacity whatsoever with respect to this offering has any authority to make any representations or warranties, either express or implied, other than the representations or warranties which may be contained in this Prospectus and the documents attached hereto.

Neither the General Partner nor any affiliate nor any person or entity connected with this offering in any capacity makes any representations or warranties as to the Federal tax consequences of the transaction described herein. Any reference to tax matters are for illustrative purposes only and no responsibility for the accuracy thereof is assumed.

EXHIBIT A

RANCHO DE LAS UVAS ASSOCIATES

Projected Return to Investors in Aggregate

	1971	1972	1973	1974	1975	1976	1977	1978	1979
TOTAL INCOME (Net of Harvest Costs)		\$441,000	\$ 427,550	\$ 489,850	\$ 808,300	\$1,040,500	\$1,053,500	\$1,056,700	\$1,056,700
EXPENSES and Charges									
Financing Fee	\$ 178,800								
Cultural Costs	1,227,500								
Management Fee	—	67,300	53,850	80,860	30,400	233,100	106,300	111,300	158,300
Interest (Prepaid & Annual)	183,700	183,700	183,700	183,700	183,700	183,700	183,700	183,700	130,100
TOTAL	\$ 1,890,000	\$281,000	\$ 347,550	\$ 449,850	\$ 628,200	\$ 890,500	\$ 752,500	\$ 756,700	\$ 756,700
Sub-Total	(1,900,000)	180,000	180,000	180,000	180,000	180,000	300,000	300,000	300,000
Depreciation		151,150	132,900	119,800	173,300	155,600	139,850	185,800	113,400
General Partner—Management Fee		18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Taxable Income or (Loss)	\$ (1,600,000)	\$ 10,850	\$ 29,900	\$ 42,200	\$ (11,300)	\$ 8,400	\$ 142,350	\$ 150,300	\$ 168,000
Projected Cash Flow									
Profit before Depreciation & after		162,000	162,000	162,000	162,000	162,000	282,000	282,000	282,000
General Partner Fee							130,000	130,000	130,000
Principal Payment	200,000								
Total \$ Put In This Year	1,900,000								
Total \$ Recovered This Year		162,000	162,000	162,000	162,000	162,000	162,000	162,000	162,000
Tax Savings (less) 50% Tax Bracket		(5,425)	(14,900)	(31,100)	5,650	(3,000)	(71,175)	(78,100)	(64,300)
After Tax Cash Flow		156,575	147,100	140,900	167,650	159,000	90,825	83,900	77,700
Accumulated Total After Tax Cash Flow		950,575	1,100,675	1,244,575	1,412,225	1,571,085	1,661,850	1,745,750	1,823,450

EXHIBIT A (continued)

The income projections are based on the following:

Income from Table Grapes

Presently the property is planted to table grapes to the extent of 335 acres. The income projection is based on a yield of 400 boxes per acre and a sales price of \$4.00 per box. From 1974 and on the property will be planted to table grapes to the extent of 435 acres. The yield and price is expected to be the same.

Income from Tree Fruit

Presently the property is planted to tree fruit to the extent of 75 acres. The income projection is based on a yield of 500 boxes per acre at a sales price of \$4.00 per box. From 1972 and on the acreage devoted to tree fruits will be reduced to 55 acres.

Income from Wine Grapes

The property presently has 105 acres of producing wine grape vineyards. It is expected that these 105 acres will yield three tons per acre in 1972; six tons per acre in 1973; nine tons per acre in 1974; and 10 tons per acre in 1975. In 1974 the acreage devoted to the growing of wine grapes will be increased by 575 acres for a total of 680 acres devoted to wine grapes. The 575 acres will yield three tons per acre in 1974; six tons per acre in 1975; nine tons per acre in 1976; and 10 tons per acre in 1977 and thereafter. The expected sales price for the product will be \$100.00 per ton.

Prepaid Cultural

The IRS may take the position that even for a cash basis taxpayer the deductions for cultural expenses should be taken in the year in which the supplies and services comprising "cultural expenses" are used.

Final Payment on Mortgage

There will be a final principal payment of \$700,000 due on the all-inclusive deed of trust in December 1996, plus accrued interest of \$45,500.

EXHIBIT B

RANCHO DE LAS UVAS ASSOCIATES
Projected Return to Investors for each Unit

	1971	1972	1973	1974	1975	1976	1977	1978	1979
TOTAL INCOME (Net of Harvest Costs)	\$	\$ 735	\$ 715	\$1,050	\$1,347	\$1,724	\$1,754	\$1,761	\$1,761
EXPENSES AND CHARGES									
Financing Fee	296			300	690	723	751	766	766
Cultural Costs	2,046	115	90	37	34	366	180	186	264
Management Fee		353	353	353	353	353	353	300	531
Interest (Prepaid and Annual)	323								
TOTAL	\$2,667	\$ 435	\$ 413	\$ 750	\$1,047	\$1,434	\$1,254	\$1,261	\$1,261
Sub-Total	(2,667)	300	300	300	300	300	500	500	500
Depreciation		532	220	200	269	250	233	210	189
General Partner—Management Fee		30	30	30	30	30	30	30	30
Taxable Income or (Loss)	(2,667)	16	50	70	(19)	11	237	290	261
Projected Cash Flow									
Profit before Depreciation and after General Partner Fee		270	270	270	270	270	470	470	470
Principal Payment	333						260	260	260
Total \$ Put In This Year	3,000								
Total \$ Recovered This Year		270	270	270	270	270	270	270	270
Tax Saving or (Loss) 50% Tax Bracket		(9)	(24)	(35)	10	(5)	(118)	(126)	(140)
After Tax Cash Flow		261	246	235	250	265	151	140	130
Accumulated Total after Tax Cash Flow		1,333	1,594	1,840	2,075	2,355	2,771	2,911	3,041

See notes attached to Exhibit A on preceding page as they are equally applicable hereto.

EXHIBIT C

RANCHO DE LAS UVAS ASSOCIATES
Schedule of Depreciation

Parcel #	Acres	Life Method	Cost	1972	1973	1974	1975	1976	1977	1978	1979
KERN ACRES			\$ 450,000								
CHOP											
1	90	10-150 DB	40,000	7,350	6,250	5,300	4,500	3,650	3,250	2,800	2,350
2	43	10-150 DB	26,000	3,900	3,300	2,800	2,400	2,050	1,750	1,450	1,250
3	50	25-150 DB	84,000	5,050	4,750	4,450	4,200	3,950	3,700	3,500	3,250
3	65	25-150 DB	110,000	6,600	6,200	5,800	5,500	5,150	4,850	4,550	4,300
3	40	25-150 DB	74,000	4,450	4,150	3,900	3,700	3,450	3,250	3,050	2,800
12	80	20-150 DB	100,000	8,100	7,400	6,950	6,400	5,950	5,500	5,100	4,650
12	40	20-150 DB	54,000	4,000	3,750	3,450	3,200	2,950	2,750	2,550	2,350
12	30	25-150 DB	33,000	2,000	1,850	1,750	1,650	1,550	1,450	1,350	1,200
12	30	25-150 DB	33,000	2,000	1,850	1,750	1,650	1,550	1,450	1,350	1,200
12	35	25-150 DB	54,000	3,250	3,050	2,850	2,700	2,550	2,400	2,250	2,100
12	6	25-200 DB	13,000			1,050	950	900	800	750	700
12	92	25-200 DB	155,000				12,650	11,650	10,700	9,850	9,000
12	92	10-150 DB	100,000	15,000	12,750	10,350	9,200	7,850	6,650	5,650	4,800
12	92	10-150 DB	200,000	30,000	25,500	21,700	18,400	15,650	13,300	11,300	9,800
12	92	10-150 DB	12,000	800	800	800	800	800	800	800	800
Sub-Total Kern Acres			505	\$ 92,500	\$ 81,600	\$ 76,100	\$ 80,350	\$ 78,100	\$ 64,650	\$ 56,800	\$ 52,450
YUBA ACRES											
Land @ 600/acre			400,000								
575	575	25-200 DB	650,000				55,300	50,800	46,700	43,000	39,250
575	575	10-150 DB	200,000	20,000	18,500	17,700	16,400	15,050	13,300	11,300	9,800
575	575	15-200 DB	200,000	20,000	18,500	17,700	16,400	15,050	13,300	11,300	9,800
575	575	15-200 DB	30,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Sub-Total Yuba Acres			575	\$ 58,000	\$ 50,800	\$ 43,700	\$ 66,800	\$ 83,300	\$ 75,000	\$ 67,800	\$ 60,950
Grand Total			1,170	\$ 150,500	\$ 132,400	\$ 119,800	\$ 147,150	\$ 161,400	\$ 140,650	\$ 124,600	\$ 113,400

EFFICIENCY AND AGRICULTURE

(By Michael Perelman, Economics Department, Chico State College,
Chico, Calif.)

A cynic might even assert that the family farm is an institution which functions to entice farm families to supply batches of labor and capital at substandard rates of return in order to supply the general economy with agricultural products at bargain prices.

—Glenn L. Johnson

Americans are much more willing to praise the small farmer than to help him; but small scale farming is not even praised; the farms we really admire are the large, capital intensive operations. Clifford Hardin reflects this basic attitude when he writes:

"Using a modern feeding system for broilers, one man can take care of 60,000 to 75,000 chickens. One man in a modern feedlot can now take care of 5,000 head of cattle. One man, with a mechanized system, can operate a dairy enterprise of 50 to 60 milk cows.

"Agriculture, in short, does an amazingly efficient job of producing food."¹

Yes, if we measure efficiency by output per farm worker, then we must agree with Secretary Hardin's analysis; and in that case, we should bet on with the job of clearing the land of the inefficient small farmer to make way for the large modern farms which are capable of using the newest technology.

On the other hand, we could ask ourselves why we should measure efficiency by output per manhour. After all, no man alive can really feed 75,000 chickens by himself. In reality he is aided by many other men who have made the cages and grown the feed. But we don't see these other men at the broiler factory; in fact, some of them might have never set foot on a farm. Yet they are farmers nonetheless, for without these men producing the capital and other inputs, the modern farm would wither away.

Since we cannot measure the physical contribution of these men, we use a different measure of efficiency; namely, profitability. Here again, the large, modern farms come out on top because they are very profitable; otherwise major corporations would not be investing in these farms. However this efficiency owes a great deal to their tax accountants and attorneys: Moreover, "high leverage and capital gains on the scale experienced over the past decade can convert a nominal rate of return on total investment into an effective rate of return on equity of eight to ten percent or higher."² These advantages give the corporate farmer an edge over the small farmer. Furthermore, the profits of the large farmer are due in large part to government subsidies. According to a study by the Legislative Reference Service, large farms with over \$40,000 sales per farm would face greater financial difficulties if price supports were discontinued. In fact, had price supports been absent, expenses on the average would have exceeded receipts for those farms with over \$40,000 sales.³ So profit cannot be considered an accurate guide to efficiency in the farm sector.

Larger farmers have other advantages, over and above government policy. In the first place their buying power gives them leverage in the marketplace. They get cheaper inputs and lower interest;⁴ however these advantages could be neutralized if small farmers pooled their buying power so that their weight would also be felt. A second advantage of the large farm stems from a sometimes difference between the goals of larger and small farmers. To see this you must understand that some large farming operations are very interested in land speculation. As Simon Askin, Tenneco's Executive Vice President for Agriculture and Land Development, says, "We consider land as an inventory, but we are all for growing things on it while we wait for a price appreciation for development. Agriculture pays the taxes plus a little."⁵

As more and more of these well off farm interests go into farming the price of land is bid up and the market for farm products becomes glutted: Thus the price of farm products falls or fails to keep up with the prices of other goods. But the land speculator doesn't mind. In fact, it is to his benefit at tax time to be in an industry with a low rate of current earnings while his equity rises with rising land values.

On the other hand, the small farmer needs his income today to meet his current expenses. He can benefit from the rising land values only when he sells out and ceases to be a farmer.

See footnotes at end of article.

Now we come to the heart of the paper in which we go into some economic, ecological and social reasons for the superiority of the small farm. Our argument is grounded on one historical fact: that until the age of industrialization, all societies had to work harder to feed themselves as their population grew; that is, a one percent increase in population meant a larger than one percent increase in the effort required to feed everyone. You can find a very nice documentation of this fact in Ester Boserup's *The Conditions of Agricultural Growth*.⁶ We have reversed this trend with industrialization only by means of harnessing the energy of fossil fuels. This stored up energy made it possible for the farmer to cut the soil with steel plows, to harvest with sophisticated machinery and then to take his produce to cities hundreds or even thousands of miles away.

The most dramatic form of mechanization was the tractor. As late as 1920, more than 20 million horsepower was provided by horses and mules. These animals had to be fed from the land.⁷ With the adoption of the tractor, this land was freed to produce food for humans instead of horses and mules. A tractor feeds on oil. Not only was land freed by the tractor; labor was also freed because one man plowing with a tractor could do the work of several men plowing with a mule. The net effect of mechanization is shown in Table I.

TABLE I—HOW MECHANICAL POWER REPLACES HUMAN POWER

Year	Tractor horsepower (in millions)	Man hours of farmwork (in millions)	Cost of operating and maintaining farm capital (millions of dollars)
1920.....	5	13,406	5,640
1950.....	93	8,922	8,310
1960.....	154	4,590	11,500
1965.....	203	3,431	

¹ Source: Changes in Farm Production and Efficiency, A Summary Report, 1970, U.S. Department of Agriculture, Statistical Bulletin, No. 233, Washington, June 1970.

The displaced workers left the farms to go to the cities where they produced inputs for agriculture as well as the goods and services which constituted our GNP. But as we produced more goods, we consumed more and more of our stored up energy. For instance, farmers use the average tractor 400 hours per year.⁸ Since the average tractor is about 40 horsepower, we can estimate that each tractor represents about 16,000 horsepower hours of use.⁹ Assuming that the average tractor consumes about .01 gallons of fuel per horsepower hour, then its use represents 160 gallons of fuel per annum.¹⁰ Since we have about 5 million tractors in the U.S., we can estimate that tractors alone consume about .8 billion gallons of fuel.¹¹ But tractors are only a portion of agriculture's drain on our energy supplies.

To show what high levels of energy consumption mean for agriculture Fred Cottrell tried to compare the energy budgets of Japanese and American farming.¹² He found comparable statistics for two rice farms, one in Japan and the other in Arkansas. In Japan, an acre could be cultivated and harvested with about 90 man-days which is equivalent to 90 horsepower hours. On the Arkansas farm, more than 1,000 horsepower hours of energy were used just to power the tractor and truck. Moreover, the consumption of electrical energy exceeded 600 hp-hours. Cottrell did not even include the energy required to produce the tractors and equipment. In fact, some authors believe that the 'efficient' American grain farm consumes more than one calory of fossil fuel energy for each calory of food it produces.¹³ If we are facing an energy crisis then this type of farming is absolutely irrational.

Of course we did not feel any pinch; energy was still cheap and abundant. Still we could count upon reservoirs of energy from Arabia, Venezuela and the other corners of the world. Moreover, the prices of other raw materials fell making mechanization still cheaper, at the same time that a rising standard of living made men expect more for an hour's worth of work. Mechanization became economically irresistible, but what was irresistible in the past might be unfeasible in the future. More and more people are populating this planet and most of them are demanding some of the comforts which we Americans enjoy.

This increased competition for a diminishing or constant supply of raw materials will force up the prices in the future. (Besides part of the Cheapness of some of our raw materials rests on our military and economic influence over the weak nations which export them; that is, some of their cost is hidden in our military and foreign aid budgets.) What is most crucial is that the type of technology which is profitable with falling raw material prices is not the type which will be most profitable when these prices increase.

We are also facing a population explosion which means that we do not have to worry about economizing on labor; we will have a labor surplus economy. In fact, our nation already has a labor surplus economy so long as millions of men cannot find work. Yet we call our farm sector efficient while it brags about how few men it employs. We need to think about labor absorbing agriculture.

Of course, we could use much more labor to care for our natural resources. But care is unnatural to large scale farms; it is expensive and uneconomical. It is cheaper to pollute our water with pesticides and nitrates; it is cheaper to desiccate our topsoil. As a result our natural resources are wasted, and the quality of our food suffers. Moreover, our yields are not very high even though we have some of the finest agricultural soils in the world. For instance, Japanese peasants are able to harvest 1,100 more kilograms per hectare than an American farmer. Yet the Japanese have a considerable worse climate and much poorer soil. Moreover, five percent of the Japanese rice land is not irrigated.¹⁴

In the Orient, however, care of the land is a fine art. Although much of their land is marginal, they have been able to farm it with yields comparable or higher than our own. Yet this land has been farmed for forty centuries.

One example might help to explain how the Chinese, for instance, have been able to maintain their resources. In the part of the United States where I live we clear our lands of rice stubble by burning the fields: In China, rice stubble was used for all sorts of purposes, but it was also burnt as a cooking fuel. The heat from the stove was drawn off through pipes and led to large black blocks of subsoil which absorbed the heat. These blocks made nice, warm beds for the Chinese. Sooner or later, the beds began to crumble; the heat and the nutrients from the smoke had opened the blocks up to microbial life. So the crumbling beds were returned to the fields where they made excellent fertilizer. Everything was used and nothing was wasted. According to some, Chairman Mao is maintaining this ethic in China today.¹⁵

However we have no such ethic, and because we do not care for our natural resources, neither our yields nor the quality of our food is very high. The history of our corn crop is instructive here: American soils have been almost legendary for their fertility. One commentator was only slightly exaggerating when he said, that our soils are so rich that "if you tickle them with a hoe, they laugh with a harvest".¹⁶ We were so mindless about protecting this fertility that we have spent much more effort worrying about farm soils themselves. Part of our carelessness was understandable; we seemed to have a boundless supply of land and so long as there was new land to put under cultivation, the effects of soil depletion would be less striking. For instance, between 1870 and 1920 corn yields remained constant, but about two-thirds of the increased acreage was located in eight cornbelt states where the mean yield was twenty percent higher than the United States average. Then between 1902 and 1925, yields were able to increase slightly, but this increase in yield was made possible because less fertile land, like that found in Texas and Oklahoma, was taken out of production. Soon after the beginning of the 1920's yields began to fall and although acreage remained constant until the early 1930's, production began a downward trend. Then, from the 1937 low, yields rose to a 74% above the ninety year mean for the period 1870 to 1960. One part of the explanation is that production was discontinued on more than 17% of the 1937 acreage in the relatively low yielding southern states. This land was probably taken out of production because the soil was too depleted to continue further cultivation of the corn. Another reason for the rising yields of the late 1930's was the introduction of high yielding hybrid corn.¹⁷ The more extensive roots system and aggressive feeding characteristics of the hybrids, enabled them when first introduced, to extract fertility which was inaccessible to open polenated varieties. That is, hybrid corn sped up the rate of soil depletion. But there was another reason why the hybrid corn produced more. The increased yields were bought at a cost of lower protein content.¹⁸ The agronomists refer

See footnotes at end of article.

to what they call the inverse nitrogen law which says that the more nitrogen we find in a crop the less we can expect its yield to be. And similarly the higher the yield the less percentage of nitrogen we can expect to find. Nitrogen is found in all proteins and may be taken a rough proxy for the protein level of the corn. For example, low yielding Indian corn has shown a protein content of from 12 to 15%; over the years we selected those seeds which produced more until the protein content fell substantially. But even before the advent of hybrid corn it was still possible to raise hogs on an exclusive diet of corn.¹⁹ Then in between 1927 and 1947 the average protein content of corn fell by more than 10%.²⁰ At first livestockmen complained about the value of hybrid corn as a feed,²¹ but we don't hear much about that anymore, because feed today is supplemented with heavy doses of fish protein. Most of this comes from fish caught off the shore of Peru where the people suffer from protein deprivation. The United States imports enough fish protein to wipe out one-half of the protein deficiency in the entire continent of South America.²² That is, our corn crop required foreign protein subsidies to make it into a sufficiently nutritious animal feed.

Perhaps the most important property of hybrid corn is its regularity; because all the hybrid corn plants are just about the same height on the stalk, mechanical harvesting becomes a simple matter. Thus hybrid corn helped to speed up the mechanization of agriculture. And perhaps most of all, hybrid corn demonstrated the productivity of 'efficient' agriculture.

However our technology weakens our crops and makes them more susceptible to disease; witness the recent Southern Corn Leaf Blight Epidemic. The chemicals we use to aid in farming are dangerous to many different life forms; birds, pets and even humans. Yet all this is considered efficient.

Many people grant that the small farm has ecological as well as social advantages over the factory farm, but then they ask if the small farm could feed America. The answer is that it could and would. In fact, small farms have higher yields than larger farms. The yields reflect in part, the more intensive care which the small farmer gives his land. Moreover, it is logical that we would produce more food by putting more people to work on the land.

But then would people want to return to the land? Young people today are giving us the answer to that question when they go back to the lands and farm communally. They are fed up with the city; with its pace and with its tensions and with its intolerance.

But what about our standard of living? The true measure of our standard of living is the happiness of the people and judged by this standard America appears to be a poor nation. A return to the land might mean a return to sanity.

I am not saying that everybody or everyone must take up a hoe at once. Not at all. But access to the land is imperative. A first step would be to end the government policies which encourage large scale farming. End the tax and subsidy advantages to large scale farms. Next we must shift our support to those farmers whose technology is more in harmony with nature. End the wasteful consumption of our natural wealth, raw materials and people. Guarantee that men who actually work the land get a decent living. After all the labor cost of our food is only a small fraction of our total food cost. And finally keep in mind the ultimate goal! Reintegrate the farm and the city.

UNFAIR COMPETITION IN AGRICULTURE

We can read in the Agricultural Act of 1961 that "It is hereby declared to be the policy of Congress to:

"... Recognize the importance of the family farm as an efficient unit of production and as an economic base for towns and cities in rural areas and encourage, promote, and strengthen this form of farm enterprise."¹

In spite of the rhetoric about the family farm, our society is geared to grind up the family farm. In this paper we shall examine some of the mechanisms which contribute to this process.

We shall begin with the tax structure of our economy. In 1963 Secretary of the Treasury told the House Ways and Means Committee that tax farmers "create unfair competition for farmers who may be competitors and who do not pay costs and expenses out of tax dollars but who must make an economic

See footnotes at end of article.

profit in order to carry on their farming activities."² In the same vein, Orville Freeman said when he was Secretary of Agriculture that "there could be real trouble if (the conglomerates) move into agriculture . . . They already have contributed to the building up of land values. They can go in and farm and write off their losses as a tax deduction on a very profitable operation elsewhere. When this happens, dangerously unfair competition takes place."³

A second reason for corporations entering into agriculture is real estate speculation. Land will, in all probability, continue to escalate in value. Corporations know this and they also know that they can invest in agriculture as a form of land speculation; so long as appreciable capital gains can be made from the sale of land, the corporation can accept a low rate of return on its agricultural activities *per se*.

Here is what an agricultural economist with the Federal Reserve Bank of Kansas had to say on the subject:⁴

"Past rates of appreciation on farm land and rural real estate have been impressive. Although there is no assurance of continued increase in land prices, acquisition of farm land remains an attractive inflationary hedge for firms with adequate liquidity. Because of other considerations such as rapid transportation, urban sprawl, population growth, and expanding recreation needs, land may be acquiring a renewed investment appeal."⁵

The effect of land speculation in agriculture is very dangerous to the small family farm.

As the same agricultural economist said: "A study of the rates of return on farmers' equities in California . . . suggests that returns are low and apparently decreasing. Yet farmers (including corporation farmers) continue to invest their savings in agriculture."⁶

Table I shows that Net Farm Income for U.S. farmers has barely risen between 1949 and 1968; for California's farmers Total Net Farm Income has risen during the same period, but this rise is not enough to compensate for the inflation which has eroded the purchasing power of this income. In short, farmers have lost ground income-wise. Table II gives the other side of the balance sheet. This table shows the rapid rise in the average value of an acre of agricultural land. These values have more or less tripled during the period in question. Table III shows the average value of an acre of irrigated land used for orchards and groves in California and in the San Joaquin Valley. While the values of such land for the state as a whole have gone up, this rise has not been nearly so spectacular as the rapid increase in the values in the San Joaquin Valley.

TABLE I—TOTAL NET FARM INCOME

(Millions of dollars)

Year	California	United States	Year	California	United States
1949.....	735	12,78	1959.....	1,048	11,454
1950.....	846	13,67	1960.....	971	12,079
1951.....	1,084	15,987	1961.....	919	12,987
1952.....	1,100	15,051	1962.....	1,010	12,215
1953.....	974	13,088	1963.....	913	13,206
1954.....	941	12,503	1964.....	1,073	12,266
1955.....	1,007	11,464	1965.....	984	14,987
1956.....	1,072	11,444	1966.....	1,058	16,253
1957.....	968	11,355	1967.....	970	14,735
1958.....	963	13,500	1968.....	1,157	14,675

Source: Farm Income—State Estimates, 1949-68, USDA, ERS, August 1969.

TABLE II—REAL ESTATE VALUES: UNITED STATES AND CALIFORNIA

Year	California ¹	United States	Year	California ¹	United States
1950.....	58	65	1965.....	160	139
1960.....	109	106	1969.....	186	179

¹ 1957-59 equal 100.

Source: Farm Real Estate Market Developments, 1965-March 1969, USDA, ERS, appendix, p. 6.

TABLE III—AVERAGE VALUE OF AN ACRE OF IRRIGATED LAND USED FOR ORCHARDS AND GROVES IN CALIFORNIA AND THE SAN JOAQUIN VALLEY

Year	San Joaquin Valley	California
1965	\$1,230	\$2,160
1966	1,832	3,103
1967	1,875	2,850
1968	1,775	2,800
1969	1,900	2,850

Source: California Agriculture 1969: A Report on California's Principal Crop and Livestock Commodities, California Crop and Livestock Reporting Service, Sacramento, Calif., May 1970.

To understand the importance of the potential gains to the farmer as a real estate speculator we must understand that "... the net capital gains on California farm real estate would have totaled about \$12.3 billion between 1950 and 1966 had farmers sold out at values used by the USDA in computing the January 1, 1966 Balance Sheet for Agriculture. This figure is net of an estimated \$1.4 billion invested by farmers in land improvement and irrigation development.

"During this same period net farm income, which varied from a low of \$846 million in 1960 to a high of \$1.1 billion in 1952, totaled only \$15.8 billion for the 16-year period."

An example might help us to understand what all of this means to the small family farmer. We saw that the tax laws encourage wealthy individuals and corporations to buy farms. Furthermore the rapid build up of land values encourages investment in farming as a form of land speculation. As these investors buy up the farm land, they confirm the correctness of the judgement of the speculator and thus add fuel to the fire. The speculator-farmer and the tax dodge-farmer can and often do produce crops, but they do not depend on the revenue from these crops as the sole source of support for their families. Just as an urban speculator can call a parcel of land a parking lot. As long as he gets enough cars to pay more than the wages of an attendant, he profits from the parking lot business. But imagine another parking lot owner down the street, one who intended to stay in this business for ever. He would expect his lot to support his family. If it could not, he would have to sell out. Such a parking lot owner would suffer if so many speculators called their land parking lots, that the price of parking would be driven way down. The reduction of income might be sufficient to drive him out of business. Only those with sufficient resources so that they really don't need the revenue from their parking lots for their day to day existence would be able to survive.

At the same time that speculators and tax-dodge farmers drive up the price of land, they depress the amount of money a farmer earns from his crops because they flood the market with more food than the forces of supply and demand would call for under a free market system.

In the first place, the low returns to ordinary farmers means that the price system is signaling that too many resources are devoted to agriculture. Yet, as we have shown, large scale farms are ignoring these signals and investing heavily in agriculture contrary to the normal logic of the market place.

Secondly, large corporations have the political clout to move the government to open up new lands to agriculture through large scale reclamation projects, especially in the arid West, where these corporations own large tracts of land. These lands, when irrigated by even very expensive water, can turn a handsome profit by growing high priced crops like grapes and tree crops.

Because the total acreage devoted to speciality crops like grapes and tree crops is so small, what might seem to be an insignificant increase in acreage can glut the market. One economist, James Bonnen, who studied the effects of federal reclamation projects concluded that "increased production on reclamation-served land... has reduced non-reclamation farmers' income."⁷ A recent study of the effect expected from the San Joaquin West Side Development studied several crops and concurred with Bonnen. According to this study, the project will depress the price of deciduous fruits from 5 to 7%, almonds from 4 to 8%, grapes from 9 to 17%, cantaloupes from 7 to 17%, other vegetables from 4% to 7% and early spring potatoes from 42 to 80%.⁸

Who is going into these specialty crops? Tenneco Oil has 3,800 acres of grapes; 1850 acres of almonds; 1000 acres of citrus and almost 900 acres of peaches and plums.⁹ Kaiser Aluminum expects to be the world's largest producer of walnuts.¹⁰

In short, the effect of the large corporate farm has been to depress the price of current production and to increase the price of land. We can, if we want, view these capital gains on land as a substitute for current savings and investment; but, on the other hand, the family farmer doesn't have much choice about this saving. And worse yet, the small family farmer often has difficulty in transferring this saving (i.e., real estate value) into cash by borrowing. So when the need for quick cash comes, he can only raise money by selling his farm. Listen to what the President of John Deere & Co. has to say about the availability of credit to the small farmer.¹¹

"To us credit is a sales tool. We provide it because we must (because banks do not) . . . The paper we accept from dealers carries higher rates than the banks charge for such paper and our rates are as low as any in the industry. Even so the amount of retail paper our company had on its hands last October 31 (1957), the end of our fiscal year, approximated \$100 million, 200% more than three years ago. Surely the limited availability of credit from other lower cost sources must be a factor in the situation.

"We do not attract this business by taking excessive risks. Our credit standards have been high . . . (and) our losses have been minor."

The large farmer gets a break on other inputs besides credit. Table IV shows the differences between what large and small farmers pay. Still more important than the volume discounts available to the corporations are the benefits of market manipulation. As a corporation like Tenneco gets into the almond canning business, it can use its leverage from its large production of almonds to force down almond prices. The losses to Tenneco-as-a-farmer are more than compensated by the gains to Tenneco-as-a-buyer-of-almonds.

TABLE IV—RELATIONSHIP BETWEEN FARM SIZE AND COST OF CAPITAL AND OTHER PURCHASED INPUTS

Farm size (acres)	Interest on operating capital (6 percent normal)	Volume discounts			Total difference from base cost per acre
		Fertilizers (Percent)	Insecticides (Percent)	Crop dusting and aerial spraying (Percent)	
80	6.88	0		0	\$0.56
160	6.52	4		0	— .25
320	6.47	4		0	— .33
640	6.47	4		12.5	— 1.27
1,280	6.15	10	8.5	17.5	— 3.96
3,200	5.90	10	14	25	— 6.62

¹ Denotes only one observation behind the data.

Source: J. E. Faris, and D. C. Armstrong, *Economies Associated with Farm Size, Kern County Cash Crop Farms*, Giannini Foundation Research Report No. 269, 1963, pp. 73-96.

Corporations which sell to agriculture also benefit from farming. In an article in *Doane's Agricultural Report*, entitled "Big Corporations Invest More in Agriculture", Peter Grace, President of W. R. Grace, is quoted as saying in 1967:¹²

" . . . U.S. nitrogen plants are operating at only 78% of operating capacity in 1968."

The article continues by noting that:¹²

"Most firms supplying petroleum products and ag chemicals are being forced by the competition to offer credit (like John Deere & Co.). They would prefer not to do this, especially with today's high cost of money . . .

"During the struggle for control of Kern County Land Company last summer, more than one fertilizer firm was interested in acquisition, from the standpoint of *guaranteeing an outlet for a large amount of their products on the company's huge irrigated crop acreage.*"

The article concludes that "it is our opinion that corporate farming will increase. It's a matter of how fast."

The last statement does seem correct. Corporations are taking over agriculture. Some farmers will survive, but they will be the farmers who are willing and able to grow to a size large enough so that they can play the same game as the corporate farmers.

Rudolph A. Peterson, ex-President of the Bank of America, says that based on facts and trends "what is needed is a program which will enable the small and uneconomic farmer—the one who is unwilling or unable to bring his farm to the commercial level by expansion or merger—to take his land out of production with dignity".¹⁴ A spokesman for Gates Rubber Corporation was a little more blunt: "The economists say that forty percent of the people in agriculture are going to have to leave the farms eventually—we're just helping some of these to make the change".¹⁵

*A further reason for conglomerates to invest in agriculture has to do with their financial machinations. "Most agribusiness companies don't sell at near the P/E (price to earnings ratio) of the non-agricultural companies. In other words, a non-agricultural firm earning \$100,000 per year might be expected to sell for around \$2 million. On the other hand, an agricultural firm earning the same amount might be expected to sell for \$700,000 to \$1 million, or at a much more favorable P/E ratio. What this means is that the company acquiring the agribusiness firm gets an immediate improvement in its share earnings." (See Henry Fiola, "Interview with Walter Minger, Vice President, National Division, Bank of America, S.F.: Corporate Acquisitions: What they are all about and why they take place", *Western Fruit Grower*, July 1969, p. 18.)

¹ From a speech by Senator Lee Metcalf before the House Ways and Means Committee, *Tax Reform*, 1969, March 10, 1969, p. 2013.

² Quoted in Robert Dietsch, "The Merger Boom, Who Owns What?", *New Republic*, February 22, 1969, p. 15.

³ Gene L. Swakhamer, "The Growth of Corporate Farming," in *Monthly Review of the Kansas City Federal Reserve Bank*, May 1968, p. 15.

⁴ Ibid.

⁵ Franklin J. Reiss, "Is \$900 per Acre too Much for Farmland?" *Illinois Agricultural Economics*, July 1968, p. 23.

⁶ John A. Hopkin, Vice-President Bank of America N.T. & S.A., "Some Implications of Long-Term Outlook of California Agriculture on Capital Requirements," delivered to the Agricultural Economists of the Federal Reserve Banks, May 24, 1967, p. 17.

⁷ James Bonner, "The Absence of Knowledge of Distributional Impacts: An Obstacle to Effective Public Program Analysis and Decisions," in *Analysis and Evaluation of Public Expenditure: The FFB System*, Joint Economic Committee, p. 435.

⁸ Gerald W. Denn and Gordon A. King, *Projections of California Agriculture to 1980 and 2000: Potential Impact of San Joaquin Valley West Side Development*, p. 120.

⁹ "Personnel: One of the Basics at KCL," *Western Fruit Grower*, October 1969, p. 15.

¹⁰ "Kaiser Plan for Walnut Production," *Western Fruit Grower*, August 1969, p. 5.

¹¹ Wm. A. Hewitt, from speech in Board of Governors, Federal Reserve System, *Financing Small Business*, U. S. Government Printing Office, 1958, p. 364.

¹² "Big Corporations Invest More in Agriculture," *Doane's Agricultural Report*, January 1968.

¹³ "Big Corporations Invest More in Agriculture," *Doane's Agricultural Report*, January 1968.

¹⁴ "Farm Policy Question," in *Agri Finance*, Jan/Feb. 1969, p. 42.

¹⁵ Said to the Select Committee on Small Business of the United States Senate, Subcommittee on Monopoly in hearings held in Omaha, Nebraska, May 20, 1968, p. 11.

HEGGBLADE-MARGULEAS-TENNECO INC.A Tenneco Company
P. O. BOX 380 - BAKERSFIELD, CALIFORNIA 93302 - 806/833-0800HOWARD P. MARGULEAS
President

February 21, 1972

The Honorable Adlai E. Stevenson, III
Chairman
Subcommittee on Migratory Labor
United States Senate
Washington, D. C. 20510

My dear Senator Stevenson:

While I was unable to personally participate in your recent California Senate Subcommittee Hearings because of previous commitments, nevertheless, as per my discussions with Boren Chertkov, I did want to provide you with the information requested as to Heggblade-Marguleas-Tenneco's agricultural activities.

The added profit to farmers - including "small ones" - which results from utilizing professional marketing help seems to be lost in much of the current public discussions on agri-business and the work of corporate enterprise in this field.

On a similar point there seems to be confusion regarding our concept of a "vertically integrated agricultural system." We aid with the crops in the field - either ours or other independent growers - and follow them through harvesting, processing, packaging, promotion, selling, distribution and advertising to the grocer's shelf.

If functions of other Tenneco divisions fit this system we might utilize them. However, this is simply not the case.

While Tenneco has a packaging business, this division does not have West Coast operations to supply our needs and in fact we do not use a single Tenneco manufactured package in our agricultural business. Not one Tenneco chemical is used in our farming opera-

tions. Finally, no Tenneco petroleum product is utilized, as Tenneco Oil's refinery is located at Chalmette, Louisiana, over 2,000 miles from our California farming operations.

Inasmuch as each division is charged with its own profitability, competitive forces preclude use of our packaging, chemical, oil and gas products in our California agricultural activities.

H-M-T does some growing but most of our agricultural activities are comprised of marketing agricultural products grown by other farmers. In fact, less than 20% of our agricultural sales are derived from H-M-T grown crops. The remaining 80% comes from agricultural products grown by many independent farmers both large and small.

An interesting case in point is H-M-T's participation in the date industry. This industry was in financial trouble. After H-M-T brought its marketing expertise to bear, the operation has begun to turn around and the many small growers are making money for the first time in many years (see attached advertisement). We at H-M-T saw the need and then proceeded to inject the necessary capital to enable the California date industry to become a profitable operation for grower, packer, supermarket and consumer through professional marketing techniques. We emphasize that capital was not used for acquisition.

Tenneco does not own a single date tree, date orchard or even a single date. All the dates that are marketed by H-M-T belong to growers with orchards of 5, 10, 20 and 40 acres. It is professional marketing of all farm goods that we are attempting to achieve throughout the agricultural industry whether the crop is dates, almonds, fresh fruits or vegetables, owned by us or by others. Growers, regardless of size, by using this kind of marketing service based on good channels of distribution and effective advertising, can have access to many new markets and many new customers at both a fair price to them as a grower and equally important, a good price to the consumer.

The small farmer can and definitely does have a bright future in American agriculture. The small farmer, able and willing to grow

superior products, has an ally of significant strength in Tenneco, willing and able to market this grower's product. As I discussed at length with Mr. Chertkov during his visit to Bakersfield, we at H-M-T are convinced the small, the medium-sized and even the large grower will benefit as a result of being part of the Sun Giant marketing program. In essence, this program, sponsored by H-M-T, is designed to create a brand label identification for varieties of fresh produce, including vegetables and fruit, so as to increase demand both at the wholesale and consumer level.

This will, we believe, assure the farmer of an outlet and higher return on his product. It will be the grower's responsibility to grow the finest quality possible. Then it will become H-M-T's responsibility to harvest, pack, market and advertise in a manner that heretofore has been prohibited from a standpoint of efficiency of packaging, marketing and promotional work. This unique marketing program created for the grower is possible only through the use of Tenneco capital and at no cost to the grower. The concept would be worthless if it were not for the products supplied to H-M-T by the grower. As explained to Mr. Chertkov, H-M-T is providing this service at the customary commercial rates and in fact bears the full cost of advertising and promotion of grower's produce under the Sun Giant program. Our profit is made in packaging and marketing. In essence, we at H-M-T are here to serve the small grower, the medium-sized grower and the large grower.

I am taking the liberty of enclosing letters written by some of the various growers who supply H-M-T. As the result of having many of our growers throughout the state of California report to us how disturbed and distressed they were at reading the press reports of your Senate Subcommittee Hearings, they were requested to put their thoughts in writing as to our relationship with them. It was gratifying that in each and every case, these growers expressed a sincere and candid position. In this group, you will note letters from small, medium and large-size growers who collectively represent the backbone of H-M-T's marketing program.

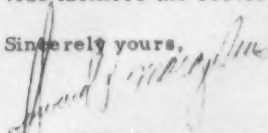
Naturally, it was disturbing to see your Senate Subcommittee Hearings became yet another forum for the Divizich case, a matter of litigation which should be properly resolved through the courts.

In addition, it was surprising to read the testimony of many of your witnesses who condemned us -- and yet in almost all cases have not had any agricultural business dealings with us. Finally, we wonder how much of this current agri-business alarm is propagated for political as well as press purposes. Therefore, it seems necessary and important that you read the feelings, thoughts and expressions of people who do business with us on a day-to-day basis -- in some cases, who have done so for over 30 years.

For added information, we are enclosing a fact file on our agricultural activities which reflects our philosophy in this area.

In conclusion, Senator Stevenson, it is correct to assume that agriculture does have problems as do almost all industries. Yet the common belief that the underlying problem facing agriculture -- that of overproduction -- is a fallacy. The real problem is lack of distribution, lack of promotion and lack of advertising. It is in this area of marketing expertise that we at H-M-T can and do provide farmers the services they need to be successful.

Sincerely yours,


Howard P. Marguleas

/fc

cc: The Honorable Robert Taft
Mr. Boren Chertkov
The Honorable Alan Cranston
The Honorable B. F. Sisk
The Honorable John V. Tunney
The Honorable Robert B. Mathias

COACHELLA RANCHES

DONALD A. STEVNING

TELEPHONE (714) 968-6147 — 51-064 HIGHWAY STREET — INDIO, CALIFORNIA 92201

January 31, 1972

Mr. Harry Bleich
California Agricultural Specialties Co.
82625 Interstate 10
Indio, California 92201

Dear Harry,

Having been a member of the Board of Directors of California Date Growers Association for many years, I have been involved very closely in the operations of the date business of the Valley. It has been a rough go for many years and many growers have had a hard time. I have observed that many date gardens have not been pollinated and owners are only keeping the trees alive in the hope that times would get better.

During the time that Tenneco has leased the Cal-Date facilities and has contracted with the Cal-Date growers to pack and market their fruit, there has been an improvement in the distribution and in the price structure for our fruit. This is a good start and, while there must be further increases in prices received by the growers for dates, I can see that this can be accomplished through improved distribution and better market practices. Tenneco has the facilities and the resources to do this, and I think that you personally can play an important part in bringing this about.

When we entered into our contract with you, I was frankly reluctant to abandon the cooperative concept of our organization but in this day and age of fierce competition in the market, we must have strong backing there by an organization big enough to do the job. I hope that you will stay in there and continue to work real hard, Harry, to do a job for us.

Sincerely,



DONALD A. STEVNING

DAS:sm



GOLDEN Y GROWERS, INC.

February 2, 1972

Mr. Howard Marguleas
 Heggblade-Marguleas-Tenneco Inc.
 P. O. Box 380
 Bakersfield, California 93302

Dear Howard:

I have been reading in the papers and legislative bulletins which I receive, about the Senate hearings regarding big business in agriculture. My feelings on this matter should be made known to you as one of your affiliated shippers.

Golden Y Growers, Inc., as you are aware of, is made up of many small growers, and without a large sales organization such as yours to represent them, they could not compete in the market place with the major citrus marketing co-operatives. I realize our association together is very new and so far our experience with you has been limited to lemons and tangelos. However, we have been extremely pleased with your service and performance to date in marketing our fruit, and we are looking forward to the same results in oranges and grapefruit.

Until contracting with your organization, Golden Y Growers had been represented by the only other citrus co-operative in the west, Pure Gold, Inc. We were extremely dissatisfied with the performance, and the only alternative was to join Sunkist or find a strong independent representation. A single commodity co-operative such as Sunkist has definite limitations in these days of changing distribution patterns, and their costs to small growers like us become prohibitive. Their pooling practices are difficult to understand and are not always conducive to individual growers taking full advantage of seasonal differences in production.

Your sales organization, by handling many different commodities for many, many independent growers through "mixer truck loads," in addition to straight rail car loadings, is very appealing to us. Your ability to get in and out of markets to accommodate our seasonal production is of great value to our growers. Your many years of experience in handling sales of agricultural commodities is certainly paying off for us, and we look forward to a long and successful association with your fine company.

I would hope that the Senate investigation will show the need for, and the advantages of so called "big business" in agricultural marketing. As independent

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grows your "bigness" gives us confidence and a sense of security, which is proven by your sincere concern for the growers.

Sincerely,

GOLDEN Y GROWERS, INC.

Gerald L. Didier

Gerald L. Didier, President

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Selected
GRAPES



GROWERS • PACKERS • SHIPPERS

Phone
(209) 237-4840

2300 SOUTH FOWLER AVE. • FRESNO, CALIF. • 93725

February 4, 1972

COLD STORAGE
FAST
PRE-COOLING

L. D. Phone
(209) 237-4348

The Honorable
Adell Stevenson
United States Senate
Washington, D. C.

Dear Senator Stevenson:

In January your committee, investigating corporate interests in agribusiness, visited Fresno. I was pleased to see that there are some government officials who care enough about the future of agribusiness to take time from their busy schedules to investigate the future of small farms.

I am a grower and packer of grapes and grape products. We are a family operation and employ some 200 people during harvest and 6 all year round. We are currently trying to extend this to a year round business by packing raisins and other grape products.

I feel much of our success can be attributed to one of the corporations in question, H & M Tenneco. They have been our sales representatives for over 35 years, and I can honestly say they have upheld the price of our products and have done an excellent job of selling. We enjoy many benefits, which as a small family operation, we could not ordinarily afford.

As our sales representative, H & M Tenneco provides an outlet for our products through a large advertising campaign and a most efficient and wide-spread communications system. They also guarantee payments from the brokers who purchase our products so that we bear very little risk in the sales portion of our business. Advertising and product promotion offered by such a large sales representative is very important to the small grower and packer who wishes to expand his business, as do we by marketing new products. The benefits of such a sales representative as H & M Tenneco are not confined to the small growers and packers but effect the economy of California and the United States, through increased employment and a greater market for consumer goods.

We appreciate your efforts in this matter and welcome your concern in the future of agribusiness.

Sincerely,

Chris Fazio
President

1562

TELEPHONE
TWENTY 2-5550
SEVENTH 7-1487

Walter R. Schmid

7621 LAMSON AVENUE
GARDEN GROVE, CALIFORNIA 92641

February 3, 1972

Cal-Date Company
P.O. Box HHU
Indio, California 92201

Gentlemen:

As a farmer in Orange County since 1916, I was forced to expand to Coachella Valley due to urban growth here since World War II.

Date gardens were included in my purchases, and being cooperatively minded I joined the Valley Date Growers Association which later merged into California Date Growers Association. Unfortunately, management in this association plus other conditions were not the best. Year after year the problems became more unbearable, poor sales, poor coordination, and no money, until the board members induced Tenneco Co. to interest themselves in the date industry.

This change took place in 1969, and I am now harvesting my second crop with them under the Cal-Date Company affiliation. My 1970 crop is paid in full, first payment has been made on my 1971-72 crop, and I am at last solvent in my date operations.

While Cal-Date Company controls about 60 percent of the valley date crop, I can find no evidence of control, coercion or mutual agreement, as far as the other shippers are concerned. I am well acquainted with some of them, and they are doing nicely on their own.

Certainly since the advent of Cal-Date Company (a Tenneco subsidiary) conditions have stabilized, and we hope will improve to a more profitable situation.

Sincerely yours,

Walter R. Schmid

Walter R. Schmid
Former Member of the Board
California Date Growers Assn.

WRS:gd

cc: Congressman John G. Schmitz
Congressman Richard T. Hanna

1563

February 3, 1972

The Hon. John G. Schmitz
Congressman
1208 Longworth House Office Building
Washington, D. C. 20515

Dear John:

I am enclosing to you a copy of a letter which I have sent to the Cal-Date Company.

It seems that the trust-busting activities of the federal government are now reaching down into the agricultural areas. As you know, Kern County Land Company was amalgamated with Tenneco Inc., which in turn has expanded their agricultural research and sales. At present they have extended into the Coachella Valley area where they are now processing and selling dates, formerly processed by the California Date Growers Association, and where they are also active in grapes and citrus fruits.

From my own knowledge they are good competition and do not control any large segment of agriculture in the state, except perhaps in dates where they do control about 60 percent. I believe my letter fully explains their activity in this regard.

Knowing that you are certainly concerned with the agricultural industry in the State of California, I would appreciate your personal investigation into this matter.

Sincerely yours,

Walter R. Schmid

WRS:gd
Encl. 1

1564

P. O. BOX 861
CALEXICO, CALIF. 92231
PHONE: (714) 387-3747

Chico-ate Co

Chico-ate Co

January 24, 1972

Mr. Max Cook
Heggblade Marguleas Tenneco
P. O. Box 758
Thermal, California 92274

Dear Max:

This letter is to summarize some of the benefits we have enjoyed since becoming associated with your Company. Perhaps they can best be put under the following major categories:

1. Marketing
 - a. Exposure
 - b. Organization
 - c. Power
 - d. Sales Promotion
 - e. Merchandising
2. Purchasing Power
3. Finance

MARKETING

Generally speaking, your Company specializes in the marketing of fresh fruits and produce and you have, therefore, put together all of the phases of the marketing function in order to do a professional job for we growers, a task which would not be economically feasible for individual growers such as ourselves. Below are a few of the marketing phases mentioned above.

a. Exposure. Your salesman speak with hundreds of chain stores, wholesalers and brokers daily, throughout the marketing area bringing new customers for our product.

b. Organization. You are well staffed with competent salesman and other marketing specialists who are experts in their fields.

c. Power. Because of the wide variety and volume of fruits and vegetables that you handle, your Company is in a position to hold up strong against large chain stores and other buyers who normally beat the small farmer down on price. This has resulted in greater sales returns to us.

d. Sales Promotion. Your firm does an expert job of advertising and promotion which is well organized, creative, massive, and yet, wherever possible, is integrated to the extent it identifies the individual grower and his product. (I am referring specifically to the recent full-page ad you ran in "The Packer" relative to our green onions.)

e. Merchandising. We have been trying for 15 years to successfully pack and market a consumer-unit (pre-packaged) green onion to no avail. We are near the point of success at this time thanks to your merchandising people and some of your very loyal suppliers who have dedicated much time and money to this project.

PURCHASING POWER

The size of your firm has enabled you to command considerable purchasing power for agricultural farming, harvesting and packaging materials. In our case, you have assisted us in negotiating better prices and quality for seeds, fertilizers, equipment, rubber bands, containers, liners, and pre-packaging materials. All of this helps us to produce a better product at a lower cost.

FINANCING

Although commercial produce farming has been going on for decades, conventional lending institutions have shied away from this business primary because of the volatile market prices and, therefore, higher risks of loss.

Your Company apparently feels they have a closer insight into the circumstances to the extent that you have loaned us substantial sums toward our growing costs and provides us with harvesting and packing advances as shipments are made. Without this type of financing, we would not have been able to have the program we have today.

To summarize this letter in a line, Max, you have provided the financing necessary for us to have the desired farming program, enabled us to produce a better product at a lesser cost through your purchasing assistance, and because of your professionalism in marketing; you are returning us more dollars for our product.

Yours truly,

L. Terry Poiriez,
Business Manager

J.T/mj

1566

W. L. DIXON COMPANY
120 REDWOOD DRIVE
HILLSBOROUGH, CALIFORNIA 94010

February 1, 1972

Mr. C. Harry Bleich, President
Cal-Date Company
Post Office Drawer HHH
Indio, California 92201

Dear Mr. Bleich:

I have been meaning to write you for some time to tell you what I have been telling my friends, namely, the remarkable and welcome change your company has brought to the business of processing and selling dates.

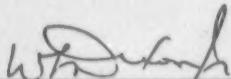
Under the previous arrangement the return was unknown until approximately three years after the crop was started, the amount received was too low to cover expenses, and payments were spread over approximately two years after the crop was picked. Under these conditions we were sustaining a loss on each crop and were considering abandoning our operation and laying off our employees, stopping purchase of fertilizers, sprays, dusts and supplies, and leaving the gardens remain idle.

Your company's policy of establishing a market price before starting work on a new crop and definite payment dates has changed this and we can operate our gardens on a sound business basis with proper planning.

Keep up the good work.

Yours very truly,

W. L. DIXON COMPANY

By 
W. L. Dixon, Jr.
President

WLD/as

cc: Mr. Peter Dondero
Indio, California

VIA AIR MAIL

Jack Vince & Sons, Inc.

Produce Growers

PHONE 399-5514
P.O. BOX 311
THERMAL, CALIFORNIA

January 21, 1972

Mr. Max Cook
Heggblade-Marguleas-Tenneco Inc.,
P.O. Box 758
Thermal, California 92274

Dear Max:

In a short time we will be starting another harvesting season with asparagus. We would like to take this opportunity to express our appreciation for the outstanding job you and your organization have done for us.

Some four years ago, when we planted our first 40 acres of asparagus, we were in debt to P.C.A. and the bank for a great deal of money we had lost in the previous years mainly due to poor marketing of our produce.

We now have expanded to 240 acres planted in asparagus. We have just about cleaned up all of our obligations that were incurred in the past years before your organization began marketing our asparagus.

You are especially to be commended for being able to distribute and merchandise the asparagus at good prices despite the unfair competition that we are encountering from Mexico because of their very cheap labor.

Again, we wish to say thanks and keep up the good work as we look forward to more and better years with your organization and we are very proud to be a member of the H & M-Tenneco family.

Sincerely,

Carl L. Vince
Carl L. Vince



Willson Farms Incorporated

Del Webb Building
2000 Tulare Street, Suite 711
Fresno, California 93721

February 2, 1972

Mr. Lewis L. Slate, President
California Almonds, Inc.
5600 Morris Road
P.O. Box 5125
Bakersfield, California 93308

Dear Mr. Slate:

I am writing this letter to express our deep concern over the method in which the recent US Senate Committee hearings were conducted in Fresno at which Mr. Howard Marguleus was scheduled to attend.

The entire carnival atmosphere in which the meetings were held, I found personally despicable and the sideshow press treatment of all of agriculture's side far below what the general public should be entitled to expect.

It is the feeling of so many farmers like ourselves that diversified organizations like Tenneco play a most-valuable and important role in our entire (local-national-international) agricultural picture and the outright distortions of your appreciated efforts on the behalf of agriculture in general and yourselves as a profit-oriented, tax-paying unit (like all of us farmers are) is demeaning and unfair, at best.

Please extend to Mr. Marguleus the regrets of the Fresno-area farming community that his awaited and hoped for message was never heard by the senatorial powers and our apologies that this all had to happen in Fresno where you folks are a proven positive force to so many of us.

Sincerely,

Russell M. Willson, Vice President

January 24, 1972

Mr. L. L. Slate
P. O. Box 5125
Bakersfield, Calif. 93308

SUBJECT: Opinion of Tenneco
impact on Almond
industry.

Dear Sir,

Bud Hoobler of your Chico office asked me to convey to you my opinion of Tenneco's impact on the almond industry and the propriety of its presence as a huge conglomerate involving itself in Agriculture.

I approve heartily of Tenneco and its presence in the almond industry.

Since there has been so much concern expressed by the media, the farm economists, and the politicians for the well being of the family farmer, I think my position as a second generation American, operating a family farm containing 100 acres of almonds and 100 acres of walnuts is certainly cogent. Our farm was bought and paid for by a lifetime of struggle by my father and mother, for the purpose of establishing a family farm of an economically self-sufficient size that could be handed down from generation to generation.

Supposedly we should be the most frightened and threatened group. I am pleased to report that we are not frightened nor is anyone else. California Almond Growers Exchange members with whom I have talked are cautiously optimistic that Tenneco's impact will have long term beneficial effect on their interests.

It seems to me, I have arrived at my position in this matter because of three general areas of observations.

- First: The unique distribution of this commodity in one state and 70% of its handle is via the Co-Operative.
- Second: The nature of Tenneco as an innovative organizer of resources in general and especially in distribution and transport with no apparent interest in owning too many orchards.
- Third: General views that bigness is not necessarily bad but is essential in modern America.

It may be of interest to you to know a little more of the above three areas of observation.

First Area - (70% Co-Operative)

Most farm commodity groups, as you well know, are fearful of conglomerates gaining over-whelming control of the packing and marketing of their product to the extent bordering on monopoly. This, of course, is debatable when it involves commodities other than almonds. However, 70% of the almond crop is packed and marketed by the California Almond Growers Exchange (CAGE) which actually reverses the threat. There is a widespread genuine concern among growers that first, the management team at CAGE could become so self confident and un-responsive as to become a dead hand on the vitality of the industry. Second, that the independent packers would lack the muscle or the will to help set the pace. We were all surprised and many were shocked by the entry of Tenneco into our industry but, one by one, many growers have gradually recognized Tenneco as a powerful, vital, aggressive pace setter.

Only one debatable fear lingered with my family. This fear has been much allayed by the recent news that Tenneco has divested itself of all almond orchard production interests. We are understandably upset by multi-billion dollar conglomerates gobbling up land by the thousands of acres at a time.

Second Area - (Tennecos Nature)

Tenneco has astonished the entire investment community with its multi-faceted talent for reorganizing companies, assessing consumer preference and transportation. My reference to transportation is specifically to Tenneco's success in distribution from producer to consumer on a grand-massive scale. We need this kind of talent in the almond industry.

Third Area - (General View of Bigness)

It has become fashionable to condemn conglomerates as emissaries of the devil himself. Too often in America we have allowed ourselves excesses in crusading zeal at the expense of reason. Fortunately we finally are able to allow the pendulum to swing where it properly should. This confidence in Americas ability to buffer itself, on my part I think, is amply justified by our great and successful national history. I don't subscribe to the assertion that bigness is necessarily bad.

I would like to attempt to fabricate a story to illustrate an obvious point that I believe too many people have over looked. This story could describe any family farmers son. Shall we call him Johnny?

When Johnny enters elementary school he will ride to school in a bus manufactured by one of the biggest corporations, powdered by gasoline from Shell Oil Corporation. Any synthetic clothes Johnny wears were developed by DuPont Corporation. Every momentous occasion in school will be documented on film manufactured by Eastman-Kodak Corporation. Occasionally well wishing relatives will give Johnny small amounts of money that his mother will deposit in Bank of America Corporation. As he grows older his food intake will greatly increase his mothers

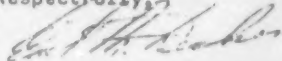
purchases from Safeway Corporation. Probably, Johnny's college education will be insured with a large insurance corporation so he will be able to attend the largest University in the world (U.C.).

After college John will get married, travel Y.W.A. on his wedding trip, stay at the Hilton Hotel, and rent a Hertz car.

Eventually John will manage the family farm with the help of a Ford Tractor, an irrigation pump built by Borge-Werner, fertilizer from Standard Oil (Chevron) and borrow money from Bank of America.

It would seem to me that it would be very inconsistent if the family would not allow John to sell his almonds to Tenneco Corporation just because it is too big. It seems obvious that Johnny's world is made of many friendly giants whose efficient reaction to Johnny's many changing needs have made his life very rewarding.

Respectfully,



Earl N. Decker

Rt. 3, Box 90-D

Chico, Calif. 95926

Copy to: Bud Heobler

BEST COPY AVAILABLE

Milton L. Willadsen
Rt. 1, Box 400,
Durham, Calif. 95934
Jan. 26, 1972

Mr. L. L. Slate
P.O. Box 125,
Bakersfield, Calif.

Dear Mr. Slate;

This is a letter of appreciation for the many times Tri-Co and now Cal-Al has helped me in the past. By advancing monies for operating capital, buying equipment and especially the hulling plant we built last year. It is very gratifying to know that such a large company will stand behind its growers the way Cal-Al does.

Fair prices and early payments is another way we growers benefit by contracting our almonds to Cal-Al.

I also enjoy my association with Ed Reynolds and his gang, they take a genuine interest in the growers in this area.

Hope to get a chance to see the Bakersfield plant some time soon. I heard a rumor about a trip being planned.

Sincerely,

Milton L. Willadsen
Milton L. Willadsen

1573

Rt. 3 Box 213
Chico, California
January 26, 1972

L.L. Slate
P.O. Box 5125
Bakersfield, California 93303

Dear Mr. Slate;

I am writing to let you know how pleased I am that Tenneco has bought out Tri-Co and is now in the almond industry. I feel that Tenneco is in a better position to help promote the almond industry through more advertising and helping to create a better domestic market for the almond.

Because of this I have purchased more land and am expanding my almond orchards. I feel confident that with your company in the almond industry we can look forward to a brighter future.

Yours truly,

Lee L. Santiago

Repor Collif
 Jan 24, 1872.

Mr. A. L. Ditch
 President, California Land Co.
 Box 5725
 Berkeley, Calif.

Dear Sir,

In the twenty two years I have
 sold almonds to the Company it has
 been a pleasure.

I feel the contract to is most fair
 and foreign material is not in excess
 at any time.

The Company has been most generous
 with financial relations, in harvesting
 as well as advance payments of material.

I have been kept in line without delay.
 have always had a home for the crop
 without delay, have been treated fairly
 on the spot. The almonds have been
 trucked from the ranch without cost
 to me

Yours sincerely
 Paul J. Cameron
 20155 - more by P.O.
 Repor. Calif.

Mr. L. L. Slate
P.O. Box 5125
Bakersfield California 93308

21 Jan 1972

Dear Mr. Slate:

I have thought about dropping you a note for quite some time now and as you can see I just put it off.

It was indeed my privilege to meet you and Mr. Marguleus last year when you folks were at the "End of the frost season dinner" in Chico. May I say again thank you very much for honoring us with your attendance and helping make the evening a real success.

Speaking for both my father and myself, I would like to express our thanks to Cal Al for the fine co operation over the years.

I believe that the entrance of Tenneco (Cal Al Inc) into the Almond picture is indeed a real plus factor for me a grower.

I believe that this involvement by Tenneco gives the Almond industry a much stronger marketing arm, which is a plus factor for me a grower and I am encouraged and believe that the future for Almonds looks very strong.

The advertising program under the label of Sun Giant is one of the real strong points as far as the future domestic acceptance of our product is concerned. At least this is my opinion.

Thus as a grower I am pleased to see Tenneco in the Almond picture. And since I feel this way and since I am also pleased with the relationship I have experienced with Cal Al I am in the process of planting an addition of 100 acres.

If you and Mr. Marguleus are ever in our area we would be happy to see you again and I hope you can make the dinner again in the near future. Let's hope we can celebrate a frost free season this spring.

Once again thank you and Cal Al for being involved in the Almond industry and I believe this involvement of Tenneco is the brightest spot the industry has had in a long time. I have confidence in this team.

Sincerely yours..

Richard L Culp

Richard L Culp

P.T. 4 BOX 476
CHICO, CALIF.
95926

11/24/72
Chico, Calif

Hr. L. A. Soto
c/o Winston's Almonds Inc.
P.O. Box 5128 Bixbyville, Mo.

Dear Mr. Soto

I am writing to you personally to say that I am happy with the way Winston's Almonds of Bixbyville, Mo. is an endeavor to keep ahead of the times.

I am a small Almond grower who started with Almonds in 1941, then with time and now with Winston's Almonds. Now at this time, it is my hope and desire that you and your fine sales organization will be able to do as fine a job selling when the new large amounts of Almonds come into production.

Sincerely

Robert L. Allen
P.O. Box 206
Chico, Calif

1577

July 14, 1971

Mr. Robert Nies
Co-River Company
P. O. Box 758
Thermal, California 92274

Dear Bob:

We appreciate the way your company, Co-River, has handled the fruit from our "Peters Ranch Company" this past season.

Being plagued with very small fruit it was a pleasure to see you harvest the crop in such a manner as to get the best financial results out of it.

It was interesting to know that quite a bit of the fruit went to the export market and I suppose that this move might have been part of the answer to such satisfying results.

We have been extremely pleased with the service that we have been getting from your field and sales departments.

Co-River Company certainly stands for cooperation and integrity.

Sincerely,

PETERS RANCH COMPANY

Norman Dreyfuss

Norman Dreyfuss
Bunker Hill East
311 So. Spring Street
Los Angeles, California 90013

ND:gs

45-800 Pima Road
Indian Wells, Calif. 92260

Mr. Max Cook
c/o Heggblade-Marguleas-Tenneco Inc.,
Thermal, California

Dear Max:

I feel remiss in not having expressed my appreciation and thanks for the close and beneficial association our two companies have had during the past 16 years---so here goes.

The Heggblade-Marguleas-Tenneco Company has always marketed our grapes using the best of sound marketing principals. Their selling expertise manifested itself, especially during the years of the grape boycott.

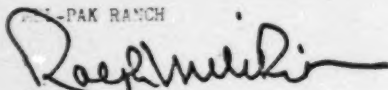
In 1955 we started with 30 acres of table grapes, and today farm over 520 acres upon which there is no indebtedness.

Having completed in 1971 our 16th harvest year, I am happy to report that each and every year has been a profitable one. I am confident in saying that the Heggblade-Marguleas-Tenneco Company was, to a large degree, responsible for such an enviable record.

I am happy to say, Max, that our association with your Company gives me a great sense of strength and security and that H and M will always remain a friend of the small farmer.

Sincerely,

PAK RANCH



Ralph Melikian
Owner-Manager

1579

Stanley M. Love
Escalante, California

September 17, 1971

Mr. L. L. Slate, President
California Almond Orchards, Inc.
Bakersfield, California 93309

Dear Sir:

Thank you for your mighty fine settlement price for my 1970 crop of almonds.

I have been always pleased with the Cal-Al return, but since your association with Tenneco I feel even more secure. There are more almonds being produced in California, but I have a comfortable feeling that they will be sold. The aggressive, innovative marketing approach of Hegblade-Margules- Tenneco, Inc. will, I am confident, materially contribute to an increase in per capita consumption.

The fine people, solid policies and financial strength of Tenneco supplies the kind of competition we so long have needed to strengthen the industry.

You may plan on marketing my crop for me next year.

Kindest personal regards.

Sincerely,

Stanley Love

January 24, 1972
21042 S. Carrollton
Ripon, Calif. 95366

To Whom It May Concern:

We have been selling almonds to California Almond Orchards since 1955. As far as we are concerned, we have seen very little difference since it has become a part of Tenneco. They have always been very fair with us, and I do believe we need a good independent packer for not all growers care to belong to an association. I feel that one has a tendency to keep the other on it's toes.

I feel that Tenneco has the resources to expand the California almond market all over the world. With the new plants they have built and the modernization of the old one, they are capable of turning out as fine a product as could be found anywhere.

With the large advertising program behind the new brand, Sun Giant, it should be able to compete with any other brand.

The House of Almonds, which is usually located in a nice restaurant on a busy highway, is an excellent way of introducing almonds to the traveling public.

We are well satisfied with California Almond Orchards as a buyer for our product and are optimistic about the future of the almond market.

Sincerely,

Carroll D. Smith
Carroll D. Smith

Cavalletto Ranches
23479 Road 20½
Chowchilla, Calif. 93610

January 30, 1972

Dear Lou,

By request of John Chambers, I write this letter in order to do my part to combat an unfair attack upon Tenneco and its affiliates.

My father and I own and manage 460 acres of almonds. We have been selling our almond production to Heggblade-Margules of Tenneco. In 1961 our operation started with almond planting and in 1963 we sold our almonds at California Almond Orchards of Paso Robles. When Tenneco took over this organization, both my father and I were very enthusiastic to see a company the size of Tenneco put its capitol behind the almond industry.

As it has proven out, Tenneco's solid capital has shown to the rest of the almond trade a spirit of competition that the almond industry needed. It gave growers of almonds a choice of where their almonds would be processed and handled at a fair price!

Tenneco's new brand name, "Sun-Giant" links almonds with other quality food products, bringing about a strong association of advertisement to promote almonds to their fullest potential. Tenneco has been a leader in stimulating sales of a crop that has doubled in volume in 5 years. We think this is important because of the non-bearing acreage yet to be available for the market.

Ordinarily large companies absorb smaller ones and the personal touch of individuality is lost; but Tenneco is an exception to the rule. Most of the personnel of California Almond Orchards was retained by Tenneco. Added personnel have helped in the expansion areas. As growers we feel the personal touch of that small company remains.

It's been a pleasure to do business with you, Lou, and your staff. I hope we will see many years of Tenneco in the future.

Sincerely,

John Cavalletto

RANCHERS' LABOR POOL, INC.
Box 833
INDIO, CALIFORNIA

D. M. MITCHELL
PRESIDENT
EXPOSURE 8-57-1

Specializing in the Supervision and Care of Coachella Valley Date Gardens and Citrus Groves

January 31st 1972

Mr Harry Bleich
Cal Date Company
Drawer HHH
Indio, Calif.

Dear Harry:

The article on Heggblade-Marguleas-Tenneco in the January 15th issue of The Produce News is timely and encourages me to write you my thoughts on the subject. As I look back on more than two years of contact with you and H and M Tenneco, I am sure that the position of our date growers has substantially improved.

As you know, my son and I operate a ranch care program for 19 small date and citrus properties for other owners as well as our own interests. This program evolved because it met a need. I question if a majority of these properties would be active today if we had not pooled our equipment and developed economies.

A grower and his family can operate a date garden as long as the palms are comparatively short but when it grows tall they must have expensive equipment and a professional crew.

There is a parallel between the small date grower and the small marketing agency. It takes a giant to sell to the giants.

My opinion of H and M Tenneco to date is a favorable one. Our marketing co-operative in the past did a good job for us but under todays conditions we need more clout. We had accumulated back breaking amounts of fruit as carry-over. You have brought our sales to a satisfactory condition.

We are, in fact, placing our future in your hands. I can see no preferable alternative. Your self interest as well as your concern for our welfare should give us many years of fair dealing. With your drive and keen insight into the date business we have a good basis for optimism.

Cordially and sincerely yours,

Don Mitchell

51251 Avenida Obregon
La Quinta, California
January 22, 1972

Mr. Robert Nies
Co-River Citrus Company
P.O. Box 758
Thermal, California 92274

Dear Bob:

As one of the growers that started with Co-River Citrus Company eight years ago, I feel that I would like to express to you and your entire organization how pleased I have been in the manner your Company has harvested, packed and marketed my forty acres of grapefruit. Your staff has provided me with their expertise in the growing of my crop which has been something in addition to their normal duties in the field.

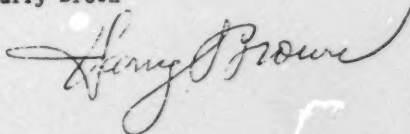
As a small grower, your Company has provided me with packing facilities that are modern and efficient which places me in a position of competing with the large growers and packers in this area. It also gave me the benefit of National distribution, advertising and promotion activities that would be impossible for a small grower.

With liberalization of trade, your Company has helped open new outlets for grapefruit in the export markets. This would have been an impossible task for a small grower or a group of small growers, but with your Company's resources, you have again made us competitive with the giants of the industry.

In addition, I have personally enjoyed this extremely profitable association with the group that has taken such excellent care of my fruit and the many problems arising from the processes of growing, packing and marketing of my grapefruit. It is my intention, and hope, to continue this profitable association as long as I am in the citrus-growing business.

Sincerely,

Harry Brown



430 South Fuller Avenue
Los Angeles, Calif. 90036
February 2, 1972

Cal-Date Company
P. O. Drawer HHH
Indio, California 92201

Gentlemen:

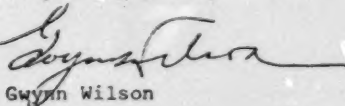
Recently I finished harvesting the second crop from my date garden under the grower agreement I have with Cal-Date Company. I would like to review with you my observations both before and since Tenneco came in June of 1970.

Conditions in the date industry and returns to growers by the cooperative had deteriorated badly during the previous four or five years. Both the Association and the growers were so deeply in debt there seemed no way out. Plant costs were excessive and the unsold crop for the previous year was still on hand. I had been seriously considering giving up completely although I had been a date grower in the Coachella Valley for 29 years.

There was a general return of confidence and almost immediate improvement after Cal-Date Company was organized and backed by effective management and marketing techniques. The old inventories were liquidated. Growers were given a guaranteed price so that they now know what the return will be before they ever start to grow the crop. The industry has stabilized to the point that there is now an interest in new plantings. Many old bank loans have been paid off and there is a renewed emphasis by the farmers on growing a quality crop.

Conditions were so bad I do not see how we ever could have survived as an industry if Tenneco had not come in at the time it did. We appreciate what you are doing for us.

Very truly yours,



Gwynn Wilson

GW:lga

433 N. Burton Way
Palm Springs, California
January 19, 1972

Mr. Robert Nies
c/o Co-River Citrus Company
P.O. Box 758
Thermal, California 92274

Dear Bob:

As an American Indian, it has been difficult at times to be accepted in the business community.

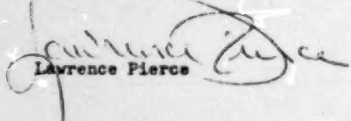
I would like you to know that I feel that Co-River Citrus Company has accepted me as a Coachella-Valley grapefruit grower and that our business relationship has been one that I have been proud to be a part of. Your Company has handled my forty acres of Ruby Grapefruit for the past eight years on a business-like basis, and have accepted me as a grapefruit grower based on my ability to raise a crop.

Fortunately, your Company has been in a position to offer me, as a small grower, the benefit of your plant facilities which I consider second to none. You have also given me the opportunity to take advantage of your Company's expertise in marketing, in advertising and promotion. These are some of the many things that would be impossible for a small grower to attempt to do.

You have provided me with outlets that put me in a position to compete with the giant co-ops that threaten my existence as a small grower. It has been my experience and observation that a small grower, and especially myself, could not survive within the framework of these giant co-ops.

Bob, I have enjoyed our relationship as a grower with your Company and look forward to many more years of Co-River Citrus Company harvesting, packing and marketing of my fruit.

Very truly yours,


Lawrence Pierce


HARBOE MANAGEMENT SERVICE, INC.

ARABIA CENTER 92-463 HWY. 111 GRAVIER 1787, INDIO, CALIF. 92201

CITRUS . . . DATES . . . FIELD CROPS

PHONE (714) 347-2335

DESERT DEVELOPMENTS . . . FARM MANAGEMENT . . . CONSULTATION

September 9, 1971

Mr. Robert Nies
Co-River Citrus
P. O. Box 758
Thermal, California 92274

Dear Bob:

As president of Harboe Management Service, Inc., which is agent for Mr. Firestone's K-B-L Ranch as well as the Triple L Ranch which belongs to Messrs. George Burns and Jack Benny, I wish to express my appreciation for the way your Co-River Company has handled the 1970-71 crop.

Through exceptional cooperation during the growing year both from your field department and from you we carried the crop to an extremely successful finish which certainly is gratifying for both the owners and us as farm managers.

I can recall the many occasions when your field department has been of help in assessing things like frost damage, insect problems, etc., etc. - - a service without which it would have been impossible to achieve the results we are now looking at.

I want to take this opportunity to say that it is a distinct pleasure to work with a company as honest as yours.

Sincerely,

HARBOE MANAGEMENT SERVICE, INC.

Jens Harboe

P.S. The promotional programs that you have outlined to me for the future sound exciting and should further enhance the chances for fine financial results for the smaller grower.

JH:sg

February 7, 1972

The Hon. Richard T. Hanna
Congressman
1516 Longworth House Office Building
Washington, D. C. 20515

Dear Dick:

I am enclosing to you a copy of a letter which I have sent to the Cal-Late Company.

It seems that the trust-busting activities of the federal government are now reaching down into the agricultural areas. As you know, Kern County Land Company was amalgamated with Tenneco Inc., which in turn has expanded their agricultural research and sales. At present they have extended into the Coachella Valley area where they are now processing and selling dates, formerly processed by the California Date Growers Association, and where they are also active in grapes and citrus fruits.

From my own knowledge they are good competition and do not control any large segment of agriculture in the state, except perhaps in dates where they do control about 60 percent. I believe my letter fully explains their activity in this regard.

Knowing that you are certainly concerned with the agricultural industry in the State of California, I would appreciate your personal investigation into this matter.

Sincerely yours,

Walter R. Schmid

WRS:gd
Encl. 1

1588

January 20, 1972

Mr. Robert Nies
Co-River Citrus
P. O. Box 758
Thermal, California 92274

Dear Bob:

In reviewing our packing program for this coming year it occurred to us that we had been remiss in telling you after the finish of last year's harvest how much we appreciate the excellent service you are providing for us in the packaging and marketing of our fruit on the Green Leaf Ranch.

The service that you and your field department has given us, especially in determining when to harvest for the best financial results, has been unsurpassed and your help during and after periods of frost in trying to assess the situation was invaluable to us.

We appreciate the fact that Co-River's integrity and honesty is unquestionable, and wish to take this opportunity to thank you for many years of a good grower-handler relationship.

Sincerely,

GREEN LEAF RANCH

Harold E. Ensley

Harold E. Ensley
Rt. 1 Box 164
Thermal, California 92274

HEE:s

1589

BEST COPY AVAILABLE

JOHN ANTHONY DUNGAN
P. O. BOX 396
EMERY, CALIFORNIA 93221

January 20, 1972.

Howard Marguleas
Hawblake Marguleas, Inc.
Bakersfield, California

Dear Howard:

your company has been
selling our products and you
since 1950 or it concerns me
when I read ad. and publicity
in the newspapers.

We have had a very
interesting & profitable relationship
over the years, and it
was the result of our
patent in the field of
the different kinds of the 1950s
that we had to give
distribution for our fruit.

It is such a nice to
find it in the fruit,
especially when the industry



The natural food that tastes like a candy bar.

Health food is supposed to taste like health food. But, instead, Sun Giant Dates are sinfully delicious like a candy bar.

Because they are nature's own natural confection, they're jam-packed with nutrients. Bursting with 8 different vitamins and minerals. And no additives, no preservatives, no artificial anything.

So don't use up all your Sun Giant Dates in recipes. Save some for snacking. Because they taste good, and because they are good.



SUN GIANT
Fresh California Dates

A Talmont Product 

PER 100g (3.5oz) SERVING	
Protein	16.8 grams
Fat	1.8 grams
Carbohydrate	30.7 grams
Calories	285.0 mg
Phosphorus	28.0 mg
Iron	13.8 mg
Sodium	0.0 mg
Vitamin A	230.0 IU
Thiamine	40 mg
Niacin	40 mg
Calcium	10.0 mg
Food Source	100%

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TENNECO AGRICULTURAL FACT FILE

December 10, 1971

Following is fact information concerning Tenneco's overall agricultural objectives --

As far as the grower is concerned -- and this includes small, medium and large growers -- the Tenneco plan is to provide him with wider and more established markets for his products, help him develop a broader base of consumption through expert marketing and promotion, and augment and strengthen his product quality (as his quality improves, his return improves).

At the other end of the spectrum is, of course, the ultimate consumer -- the American housewife. The Tenneco objective here is to provide her with the finest quality fresh fruits and vegetables available in the most attractive, convenient and protective packaging at a realistic market price under a national brand program -- Sun Giant.

The most commonly used excuse for some of the plights of agriculture is that the farmer has become too efficient with resultant oversupply. This is not the complete answer. The fact is that agriculture generally has been experiencing a lack of marketing finesse.

Price concession alone as a selling device rarely results in an adequate return to the grower. The way to market agricultural products is not to rely on governmental marketing orders and restrictive measures but conversely by increasing demand through better advertising, marketing, merchandising and distribution.

This results in better returns to the growers. For example, a case in point is the date industry. Prior to Tenneco's participation, this industry was in financial trouble and the growers were faced with a loss of market and inability to cover their growing costs. There was a profusion of brand names and inadequate marketing. After Heggblade-

Marguleas-Tenneco stepped in and brought its merchandising expertise to bear, the association has been rejuvenated, is now operating in the black and the many small growers for the first time in several years are making money.

Ironically, a hue and cry has gone up to stop vertical integration in agriculture. The claim essentially is that bigness is bad and therefore automatically harms the small farmer. The facts do not support this contention. For example, H-M-T does not own a single date, nor a date tree, nor a date orchard. All the dates we market belong to 5, 10, 20 and 40 acre growers.

It seems obvious that the bigness of Tenneco was an asset to the date industry and to its associated growers. It took a combination of marketing and distribution expertise, advertising, sales promotion, as well as capital in order to turn around the date industry in the U.S.

While this illustration is relatively minor in the total scheme of agricultural activities in this country, it is this concept which Tenneco is attempting to apply throughout its agricultural marketing programs whether they relate to dates, almonds, fresh fruits or vegetables. Rather than be dependent on a few large buyers, we believe that through the channels of good distribution and effective advertising we can open up many new markets and attract many new customers at no sacrifice in price. It is our intention that through concerted advertising, aggressive promotion and nationwide distribution, we will be in a stronger position to help the growers sell their products throughout the country at both a fair price to the grower and a good value to the consumer.

So the small grower can and does have a future in American agriculture. The small grower, able and willing to grow superior quality produce, has an ally of significant strength in Tenneco.

Historically, the small grower, struggling alone, faces many obstacles. It is extremely difficult for him to grow, harvest, ship and sell his crop with a reasonable profit. Normally he carries the burden through the harvest. At that point, he turns to a commercial packer to pack his fruit -- and in all likelihood the same packing organization handles the sales.

Most commercial packers are termed "seasonal." They operate during the few months of packing and are out of business and out of contact with the trade the balance of the year. These shippers are in most

instances limited in sales outlets by the single commodity -- or the few commodities -- they pack. Having no selection, the greatest incentive to attract a buyer is to offer the product at a lesser price.

H-M-T has long recognized the need for a well planned program and its importance to the small grower. Together they are a team.

How then do the Tenneco concepts precisely serve the interests of the grower?

First, they give him ready access to marketing expertise (particularly daily contacts with buyers, knowledge of buyer's needs, planned marketing programs, awareness of price structures, advertising and promotion) that is nationwide. A team of professional salesmen are on the job 12 months of the year and in daily contact with the trade. There is at least one specialist in every field -- citrus, potatoes, grapes, etc.

Second, the grower knows before shipment what price he will receive; no risky speculative shipment. With this guaranteed payment to growers, H-M-T assumes responsibility for collections.

Third, H-M-T does so much shipping to so many places that growers can participate in less-than-carload or less-than-truckload shipments. H-M-T can fill out the shipment with the produce of other growers, at a saving to all. This calls for a fully staffed traffic department, prepared to protect shipments and insure possible claims.

Fourth, H-M-T offers packing facilities much more modern and sophisticated than a grower could afford to provide for himself. The central loading points, with consolidation of various items attracts trade and greater outlets for a grower's products.

Fifth, through newsletters and other communications, H-M-T keeps its growers up to the minute on market trends.

Sixth, the grower has access to a knowledgeable field staff which is available year round and provides assistance throughout the growing and harvesting periods if he so desires.

Seventh, he has access to financial assistance for labor and materials as well as a supply of labor. Modern equipment is available at little or no extra cost to the grower.

Eighth, products grown in all districts are made available through the harvest and post-harvest period when the product lends itself to storage.

In turn, what are the benefits to the buyer?

First, it gives him a dependable source of supply, since H-M-T organization is highly skilled at packing and timely shipment.

Second, it provides him a year-round source of supply, made possible by H-M-T's geographical spread (California, Arizona, Mexico and Texas) in packing and shipping.

Third, by representing many growers with many different types of crops, H-M-T offers buyers a full range of produce...one-stop shopping, you might say. One phone call to H-M-T has the same effect as dozens of phone calls to individual growers: the buyer's time is thus conserved.

Fourth, buyers obtain effective quality control, since H-M-T people are experts at receiving, packing, and shipping.

And finally, how does the consumer, the housewife, share in this program?

First, it offers her freshness and other standards of quality that are not likely to be available under direct grower-buyer relationship.

Second, it provides a continuity of better quality and better grade.

Third, through continuing research and development the Tenneco programs provide better innovation and improvements in packaging, and processing with subsequent improvements in product flavor.

Fourth, the programs provide extensive development of new types of packaging which insure the fruits and vegetables arriving in her home in better condition with less chance of spoilage.

Fifth, the reduced waste and less spoilage for the housewife results in an overall cost saving on her grocery bill.

Sixth, fruits and vegetables arrive more attractive, more appealing, more appetizing.

Seventh, by providing more realistic pricing at the grower level, this, in turn, provides more realistic pricing at the retail level.

Several examples might better illustrate these points:

Prior to 1945 grapes were very new to Arizona. In that year a new

variety of grapes called Cardinals was propagated. In 1948 this variety was planted on a number of ranches. This seemed to put others in the mood to plant and from 1948 to 1950 many more acres were planted to this variety as well as the Thompson Seedless.

This heavy planting of Cardinals began to bear in 1952. This is when the growers realized that it is one thing to plant vines, but to grow quality grapes and to have a market for them is something else.

As the acres of planting increased and ranches changed hands the Arizona grape deal went down hill fast. Independent growers who had no idea of how to grow quality fruit, how to pack a quality pack and had no marketing outlet were sorry they ever planted a grape vine.

It was a known fact that buyers were so disappointed with the quality and pack of Arizona grapes that the majority would buy from the early grape packing area of the Coachella Valley in California, would then bypass Arizona and wait for the Bakersfield area of California to start. Things got so bad that 50% of all Arizona vineyards were either pulled up or abandoned.

Starting in 1963 H-M-T decided to do something about this. We arranged for a substantial number of acres of grapes to be shipped on consignment for the growers. We stressed quality, gave them full year-around supervision and advertised as such to the buyers. The whole grape deal turned around and brought the buyers back into Arizona.

H-M-T was very active, freely giving its growing and packing "know how" to competitors and was instrumental in up-dating the Arizona grape situation.

Here is another case in point:

Prior to the time that H-M-T became involved in California strawberries, the growers were small, few and far between. The California strawberry industry was unknown around the country.

The reason for this was simple. The growers shipped to the local markets such as Los Angeles and San Francisco. With all the strawberries finding their way into these local areas, it naturally had a continuing depressed market because of over supply.

H-M-T was the first to recognize the necessity of proper distribution for California strawberries to all domestic markets.

Today, we find California berries virtually being flown halfway around the world for markets in England, Germany, Italy, etc. The California

strawberry marketing program today is indeed a large one -- and much more profitable for the growers.

As one grower recently wrote, "There is a great need for a large, strong, packing and marketing organization that not only packs and promotes and sells one variety, but several varieties that are linked together in one general sales organization. One organization stands out in California -- Hegoblad-Hargreaves-Tenneco. This is the only group that is trying and putting their money on the line to promote well matured superior quality fruit on the grocer's shelves. This is the only group that promotes all produce that they handle. The only organization that has plants located throughout the entire West Coast and centralizes produce selling through one organization located in one central area. No other company gives its selling department the help and assistance as does H-H-T. I as a grower am completely sold on the H-H-T operation."

With all this, it remains an unfortunate fact that man's most important industry, agriculture, is still one of his most risky pursuits, from a business point of view. The elements, diseases of plants and animals, pests, predators, distribution problems, erosion, over-production, and soil-lane have conspired for centuries to make the production of food an unusually risky business venture. To be energetic, conscientious, and competent is often not enough.

Tenneco's answer has been diversification. As a farmer, Tenneco is diversified, in much the same way that Tenneco as a whole is diversified. As a grower, we grow not one crop but several. And we are more than just a grower, or a packer, or a shipper, or a marketer, or a broker. We are all of these -- and for a good reason. What might be a poor year in one or more phases of agriculture could be a better year in one or more of the other phases.

To diversify, then, is to spread the risk and to assure continued participation in an industry that is so basic to man's survival and so important to the economy as a whole. Significant diversification, of course, may mean bigness.

Tenneco requires that its land use division, which comprises real estate development as well as agriculture, must stand on its own feet. Its operations are totally independent of Tenneco's other divisions, and it must show a profit on its own. Otherwise, a Tenneco division has a high degree of autonomy, and in the case of agriculture our autonomy and our resources have enabled us to do most of the things discussed here.

Our policy is to make a profit. We realize that, in order to do so, we must serve the grower, the buyer and the public, that we must respond to a public need with quality products and realistic prices. After all, only 20 per cent of our sales volume comes from Tenneco crops. The remaining 80 per cent represents the production of hundreds of independent farmers and growers.

But the fact remains that as successful as agriculture has become in the United States, there are an estimated 13 to 14 million people who are not receiving enough to eat -- many of whom are still going hungry.

So the challenge to Tenneco -- and to others actively engaged in agriculture -- is to reach out and help find and clothe all Americans with healthful and high quality products while at the same time assisting the independent farmers and growers toward the successful pursuit of their agricultural goals.

TENNECO INC. P O BOX 25H • HOUSTON, TEXAS 77001

WILLIAM M. CARPENTER
Vice President
Tel. 713/229-3388

December 22, 1971

Mr. Boren Chertkov, Counsel
Subcommittee on Migratory Labor
Committee on Labor and Public Welfare
United States Senate
Washington, D. C. 20510

Dear Mr. Chertkov:

To follow up on our conversation, I would like to clarify what appears to be a misconception on your part regarding our agricultural activities. Perhaps this is the result of the recent syndicated series of articles on agribusiness from the WASHINGTON POST.

As I mentioned to you, we have gone to the POST and pointed out to them what we believe to be major errors in fact and errors of omission as far as their series is concerned and we are sending material pointing out these inaccuracies to all of the newspapers which carried the POST series.

The most significant point of confusion seems to center around the concept of what is a vertically integrated agricultural system. To Tenneco this simply means that we begin with the crops in the field -- either ours or other independent farmers -- and follow them through harvesting, packaging and processing, promotion, selling and distribution.

The POST series made quite a point of the fact that we bring to bear in our agricultural activities the capabilities of our other operating divisions. If these functions were to fit such a system we would be pleased to incorporate them. However this is simply not the case.

As I mentioned to you on the telephone, while we have a packaging business this division does not have any West Coast operations which apply -- and we do not use a single Tenneco package in our agriculture

-2-

business. The same is true of the chemicals from our Chemical Division -- here we essentially provide raw materials which end up as ingredients in our customers' end products. This also applies to our Oil Division which has its refinery at Chalmette, La., nearly 2,000 miles away -- and we do not have oil and gas distribution on the West Coast and consequently do not have these products available in that area.

I should hasten to mention again that since each division in our diversified company is charged with achieving its own reasonable earnings goal, the elements of distance and competitive forces preclude the use of our packaging, chemicals, and oil and gas products in our agricultural activities.

As you requested I am attaching to this letter copies of letters which we are sending to the various news media which have carried the POST series -- also a letter which is being sent to a number of newspapers which have carried editorials on the subject. We are also including a copy of the agricultural fact file on our company which brings up-to-date our current activities in this area. In addition we are enclosing a copy of the Autumn issue of the TENNECO magazine and a copy of our 1970 Annual Report. We are unable to provide you with ten copies, inasmuch as we are in short supply and are in the process of preparing our 1971 report. We will be happy to provide you with whatever quantity you desire as soon as our 1971 report is off the press.

Please let me know if I can be of further assistance.

Sincerely,

William H. Gifford

WMC/le

Enclosures

TENNECO INC. P. O. BOX 2801 - HOUSTON, TEXAS 77001

December 10, 1971

WILLIAM M. CARPENTER
Vice President
Tel. 713/229-3388

Recently your newspaper carried a syndicated series of articles on agribusiness from the WASHINGTON POST. Tenneco was mentioned prominently in the series.

For future reference, we are enclosing a fact file on Tenneco's agricultural activities. Also, I ask that you telephone us collect in Houston if we can be of service at any time.

For the record, I would like to point out what we believe to be inaccuracies in the POST series.

1. The article stated that Tenneco paid no federal taxes for 1969. The fact is our federal income taxes for that year were \$27 million and were \$30 million for 1970.
2. There seems to be confusion regarding our concept of "a vertically integrated agricultural system." To Tenneco this means from "seedling to supermarket." We start with the crops in the field -- either ours or other independent growers -- and follow them through harvesting, packaging and processing, promotion, selling and distribution to the grocer's shelf. If functions of other Tenneco divisions fit this system we would be pleased to utilize them. However, this is not the case.

While we have a packaging business, this division does not have any West Coast operations -- and we, in fact, do not use a single Tenneco package in our agricultural business. The same is true of chemicals from our Chemical Division. And this also applies to our Oil Division which has its refinery at Chalmette, La., nearly 2,000 miles away.

Inasmuch as each division is charged with its own profitability, distance and competitive forces preclude use of our packaging, chemicals, and oil products in our agricultural activities.

3. The article said we PRODUCED 2 million boxes of grapes and 1.5 million boxes of strawberries. Actually we MARKETED this quantity, most of it from small farmers and growers. In total, only 20 per cent of our volume is Tenneco crops. The remaining 80 per cent comes from independent farmers and growers.

4. As far as wages and benefits are concerned, we have consistently been in the forefront in both areas -- and continue in that position today.

5. The article quotes at length a Fresno attorney. For the record, we are engaged in a court case with one of this attorney's clients. He is, of course, entitled to his observations. We would, in turn, cite different facts.

6. The article mentions that we plan to grow fruits and vegetables on "30,000 additional acres." This plan is extremely long range -- and may never, in fact, become a reality. The truth is that Tenneco today farms directly only 35,000 acres and leases 95,000 acres to individual farmers. And this acreage will likely be reduced in the months ahead.

7. The article noted that Tenneco received "almost \$1 million in 1970 cotton and sugar subsidies." We did not, in fact, receive a sugar subsidy in 1970 and our cotton subsidy in 1971 was \$55,000.

8. The article pointed out that while "Tenneco hasn't yet moved into Iowa on the grand scale, you can almost hear their footsteps." We might note that we "haven't yet moved into 46 other states." Agriculturally, we operate in California and Arizona -- and have only marketing functions in Texas and Mexico.

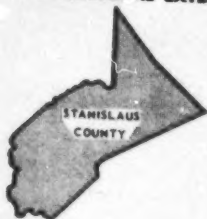
We could go on. Suffice it to say that our future plans will continue to call for a close working relationship with farmers and growers, particularly in California -- and we will continue to do what we can to make these agricultural efforts successful.

Sincerely,

Attachment

1603

AGRICULTURAL EXTENSION SERVICE



UNIVERSITY OF CALIFORNIA

Scenic Drive and Old Oakdale Road
P. O. Box 1411
Modesto, California 95353
Area Code 209 - 526-4654

December 16, 1971

Borden Chertkov
c/o Senator Adlai Stevenson III
Senate Office Building
Washington, D. C. 20510

Dear Mr. Chertkov:

Enclosed is a copy of two articles that I thought would be of interest to you.

The difference between a grower who is in the 70% tax bracket as opposed to one in the 20% bracket, as you can see, is quite sizeable. It is this advantage that is attracting the corporate and conglomerate farms into farming, and it is this difference in the cost of establishing an orchard or a vineyard that is causing such a hardship on our small farmer.

Sincerely,

Paul D. LaVine

Paul D. LaVine
Farm Advisor

PDL:ss

Encl.

[Western Fruit Growers, October, 1971/

Almond growers get tax (break?) under new depreciation rules

by MARK E. BATTERSBY
Tax Consultant



CONGRESS recently enacted a law which extended the former rules on the capitalization of the development costs of citrus groves to include almond orchards.

Henceforth, everything spent for trees, planting, cultivation, maintenance or development of any almond grove within four years after the trees are planted must be capitalized and cannot be written off as current expenses.

Fortunately, however, replanting required because of a casualty loss, such as the recent Los Angeles earthquake, are excluded from the new rule.

But despite the obvious drawbacks of capitalizing these expenses, new depreciation rules adopted by the Treasury Department can ease the pain of the new requirements slightly.

The new depreciation rules, although designed primarily for industry, can be applied to trees, equipment and capitalized expenses and qualify growers for a share of tax savings expected to reach \$4 billion annually.

Basically, the new depreciation rules introduced by President Nixon

are fairly simple to both understand and use. Remember the name — the Asset Depreciation Range System — you're going to be hearing quite a lot about it.

The ADR System

The Asset Depreciation Range System is an optional system based on the more rigid "guideline lives" introduced in 1962. At the heart of the system are the asset depreciation ranges (ADR). These ranges are based on the old guidelines but provide a range from which you can select the life of your asset. This range is no shorter than 20 percent nor longer than 20 percent of the former guidelines. In the case of an almond tree, for example, it provides a selection of a life of from between 32 to 48 years. The guideline life of an almond tree is a non flexible 40 years.

Another phase of the new system is the termination of that complex test which in the past was used to determine whether the depreciation reserve on your books bore a reasonable relationship to the basis of the asset being depreciated. As of De-

cember 31, 1970, the reserve ratio test is no longer required.

Finally, the system provides another option to those who elect to use the asset depreciation ranges. As well as the current "half-year convention," any taxpayer electing to use the ADR's may also choose the new "modified first year convention." This new convention permits you to take a full year's depreciation for assets placed in service in the first half of a year and one-half of a year's depreciation allowance for assets placed in service during the second half of a year.

Just as most tax rules have their share of exceptions and preferences, so does this one. So, let's look at those "ifs" and "buts" before delving into what these new rules can mean dollars and cents wise.

All assets which currently have "guideline lives" will soon have asset depreciation ranges. Ranges of years within a bracket from 20 percent below to 20 percent above guideline lives.

The system will not extend to buildings or certain other real es-

Continued on page 10

Tax break?

Continued from page 9

tate improvements. Congress is currently studying the new rules in an effort to determine how their coverage would best be expanded.

When you elect to apply the ADR system for any taxable year, periods must be selected within the specified asset depreciation ranges for each asset or classes of assets placed in service in that year for which a range is provided. Although neither the Internal Revenue Service nor you can change the periods selected, and the election can't be revoked, you may elect to use another method for subsequent years.

Multiple accounts

All assets subject to the election will be required to be accounted for in item accounts or in multiple asset accounts by year placed in service (vintage accounts). In the case of multiple asset accounts, normal retirements will be ignored — the deduction will be computed as if all assets in the account survived for as long as the period selected. In the case of abnormal retirements, however, the unrecouped basis of the asset will be deductible at the time of retirement.

When the ADR system is elected with respect to assets placed in service in a trade or business for a particular year, it will apply to used assets as well as new assets. The depreciation period of the used assets, as well as of the new assets, must be within the asset depreciation range for such assets or classes of assets, but need not be the same if the new and used assets are placed in separate depreciation accounts. An exception will be made where the basis of used assets exceeds 10 percent of the total basis of all assets placed in service in the year. In such a case, lives for used assets may at the taxpayer's election be determined without regard to the asset depreciation ranges.

Separate accounts

Similarly, the cost of rebuilding, rehabilitating, or repairing an asset, to the extent such costs must be capitalized, must be accounted for

in a separate vintage account for the year in which the rebuilding, rehabilitation or repair is completed. It cannot be added to the original vintage account for the asset. Such accounts must be treated in the same manner as used assets.

Shortened period

The guideline lives, on the basis of which the asset depreciation ranges are established, were determined so as to make current allowance for salvage value unnecessary. Accordingly, salvage value will not be taken into account under the ADR System in establishing the annual depreciation deduction for an asset or class of assets. No asset or class of assets may be depreciated below the salvage value. Thus, the annual depreciation deduction will be determined by applying the appropriate fraction or percentage based on the period selected to the original cost or unadjusted basis of the asset (reduced, in the case of declining balance methods, by cumulative depreciation taken).

The salvage value to be taken into account for this purpose is the salvage value expected to be realized by you as an individual taxpayer.

The ADR system is designed only to establish the period on the basis of which the annual depreciation deduction is determined. The appropriate method of depreciation selected by you will not be affected. You may still elect to use any recognized depreciation method such as declining balance, sum of the years digits and straight line.

The first year's depreciation allowance is an important factor which must be considered.

First year convention

In general, depreciation on an asset is computed from the date a taxpayer acquires it. However, under existing rules a "half-year convention" is applied in many cases whereby all assets acquired during the year are considered as acquired at the middle of the year.

Under the new ADR system, those electing to use the "ranges" will have the option of electing either the old half year convention or the new "modified first year convention."

Under the optional new convention a taxpayer can treat all assets put in service in the first half of the taxable year as put in service at the beginning of the year and all assets

put in service in the second half of the taxable year as put in service at the mid-point in the year. Assuming equal amounts of assets are put in service in the first and second half of the year, and that the lives selected are the same, this will result in three-fourths of a full year's depreciation allowance.

Just as you must use the ADR ranges for all assets put in service for a given year, you must elect either the half-year or the modified first year convention for all assets in a given year. However, one of the two conventions may be elected for one year of election and the other convention may be elected for another year of election.

The effect

The increasing trend of incorporating agricultural business makes it possible to compute an average tax rate and by using an asset with a life shorter than the 20 years normally used for almond trees will provide a better idea of the impact of these new rules.

So, assume that Almond Orchards Inc., which is a calendar year corporation that normally purchases equipment at various times throughout the year, buys one more piece of equipment on May 1, 1971. The equipment has a cost of \$1,000 and has a depreciable life under the guidelines of five years.

At present, under the double declining balance method of depreciation, Almond Orchards' deduction for a full year would be 40 percent (2 x 20 percent) of the cost of the equipment, or \$400. But under the existing half-year convention used by Almond Orchards Inc., the first year deduction would be only \$200. The tax saving in the first year would be \$96 (48 percent tax rate x \$200).

Under the ADR system, the depreciable period would be shortened from five years to four years. Thus, the corporation's double declining balance depreciation would increase to 50 percent (2 x 25 percent) for a full year, or \$500. Under the half-year convention its deduction would be only \$250 (one-half of \$500). The tax savings in the first year would be \$120 (48 percent x \$250).

Although the ADR system applies to almond and citrus groves, all growers can use it for equipment and for some types of repairs. A special provision of the final regulations permits a taxpayer whose taxable year has already ended to elect to use the ADR system within 90 days of its publication.

WESTERN FRUIT GROWER

TABLE 1 — Tax Deductible Costs and Book Values for a Five-Year Investment in Almond Orchard Establishment, Before and After Tax Reform, San Joaquin Valley, California, 1969.

Tax deductible costs of orchard establishment	Year				
	1	2	3	4	5
	dollars per acre				
Before Tax Reform					
Depreciation a	8	8	8	8	8
Irrigation system	—	—	—	—	4
Trees	—	—	—	—	230
Cultural costs	105	117	142	187	230
Taxes	—	—	17	17	17
Interest b	22	22	21	20	20
Management	30	30	30	30	30
Total costs	165	177	201	262	309
Less crop income	—	—	—	190	422
Net costs or income	165	177	201	72	113
After Tax Reform					
Depreciation	—	—	—	—	8
Irrigation system	—	—	—	—	25
Capital account c	—	—	—	—	230
Cultural costs	—	—	—	—	17
Taxes	—	—	—	—	20
Interests	—	—	—	—	30
Management	—	—	—	—	330
Total costs	—	—	—	—	422
Less crop income	—	—	—	—	92
Net costs or income	—	—	—	—	92
Book Values					
Land	1,800	1,800	1,800	1,800	1,800
Irrigation system	192	184	176	168	160
Trees	120	120	120	120	116
Capital account	285	462	663	735	710

a Straight-line depreciation based on a useful life of 25 years for the irrigation system and 30 years for the trees.

b Calculated at 7 percent of the book value of the irrigation system and the trees.

c Straight-line depreciation based on 30-year useful life for the trees.

Source: Based on budgeted costs for 80 acres planted 24"x34", 75 trees per acre.

Tax shelter aspects of orchard development — Before and after tax reform

Hoy F. Carman, assistant professor of agricultural economics on the Giannini Foundation, University of California, Davis, and David E. Kenyon, assistant professor of agricultural economics at the Virginia Polytechnic and State University, Blacksburg, have examined the economic effects of income tax provisions relating to orchard development before and after the Tax Reform Act of 1969. Following are some points of their study.

• The most restrictive new farm tax provision is that requiring the capitalization of all amounts spent for purchase, planting, cultivation, maintenance or development of any citrus grove or almond orchard within four years after the trees are planted. The rule applies to citrus trees planted in taxable years beginning after Dec. 31, 1969 and to almond trees planted after Dec. 29, 1970. An exception will be made for

replanting required because of casualty loss. Developers of other orchard crops and vineyards are not presently affected by this provision.

• Before the Tax Reform Act, capital gains tax rates were one-half the rate of those for ordinary income with a maximum rate of 25 percent. The advantage of capital gains for taxpayers above the 50 percent marginal income tax bracket is obvious. The maximum capital gains tax on individuals is increased in three annual steps by the Tax Reform Act. The maximum rate is increased to 29.5 percent in 1970, to 32.5 percent in 1971 and to 35 percent beginning in 1972. However, the familiar maximum of 25 percent continues to apply to aggregate long term capital gains which do not exceed \$50,000.

A five-year budget for establishing an almond orchard in the San Joaquin Valley, California before

and after the Tax Reform Act is presented in Table 1. The budgeted example is operated as a tax shelter investment, i.e., the orchard is planted and maintained by an orchard management company and the established orchard is sold at the end of five years. Cost calculations do not include interest charges and taxes on land. Planting costs of \$120 per acre are capitalized and depreciated over an assumed bearing life of 30 years for both the before and after examples. Published data indicate that an established almond orchard was worth \$475 in 1969. While this figure undoubtedly varies with location, age, and condition of the orchard, it is used for our calculations.

Prior to tax reform, the investor could deduct depreciation, cultural costs, interest, taxes, and management fees associated with establishing the almond orchard from other income. After the orchard was established (here, four years), the cost of planting the trees was depreciable over their useful life.

Before tax reform

For the example in Table 1, an investor would have total costs of \$735 per acre consisting of \$120 for planting the orchard and \$615 of other establishment costs during the first four years of the investment. As shown, ordinary income of \$113 per acre is realized in year five. Since the net costs of \$165, \$177, \$201, and \$72 can be deducted from other income during years one through four, the after tax cost of establishing the orchard will vary with the investor's tax bracket. An investor in the 70 percent tax bracket would have an after tax cost of only \$305.50 $(.3[\$615] + \$130 = \$305.50)$ for example, while the cost to a taxpayer in the 20 percent bracket would be \$612 $(.8[\$615] + \$120 = \$612)$.

The investor has returns of \$113 from the sale of the crop in year five and \$475 per acre from the sale of the orchard. The \$113 of crop income is subject to ordinary income tax rates while that portion of the value of the orchard which is capital gains is subject to the lower capital gains tax rate. Since the book value of the orchard is \$116 per acre, the investor has capital gains of \$359 per acre $(\$475 - \$116 = \$359)$. After tax returns will vary with the tax bracket of the investor. An investor in the 70 percent bracket would pay ordinary income taxes of \$79.10 and capital gains tax of

Continued on page 12

Tax shelter

Continued from page 11

\$80.75 to give an after tax return of \$419.15 (\$546 - \$168.85 = \$419.15). The after tax returns for an investor in the 20 per cent bracket would be \$529.50.

Comparing after tax costs and returns before tax reform shows that taxpayers above the 48 percent marginal income tax bracket enjoyed positive after tax returns from the investment while incurring an apparent loss of \$147 per acre. The budgeted profit for a taxpayer in the 70 percent bracket would be \$114.65 per acre.

After tax reform

Present tax laws specify that, for citrus and almonds, all establishment costs incurred during the first four years after planting must be capitalized. The After Tax Reform section of Table 1 shows that this results in no deductible expenses during this portion of the development period. After tax costs at the conclusion of each of the first four years are shown by the balance in the capital account. The total after tax cost of \$735 per acre is the same for taxpayers in all tax brackets as shown by the upper dotted line in Figure 1.

Revenue from the investment consists of ordinary income of \$99 per acre in year five and \$475 per acre from the sale of the orchard. Since the book value of the capital account is \$710, the investor has no capital gain but instead a capital loss of \$235 per acre (\$710 - \$475 = \$235). After tax income will therefore be \$475 plus ordinary income remaining after paying taxes on \$92. After tax income declines with increases in tax bracket as shown by the lower dotted line in Figure 1. A comparison of costs and returns reveals that losses from the budgeted investment increase with increases in the investor's tax bracket.

The Excess Deductions Account and new capital gains tax rates would not affect the budgeted before tax reform results unless the development was quite large. The investor could have up to 124 acres without deducting more than \$25,000 from nonfarm income in any one year and capital gains would be less than \$50,000.

Comparison of the before and after tax reform results for almond orchard development as budgeted in Table 1 and illustrated in Figure 1 yields an estimate of the tax subsidy formerly available. The esti-

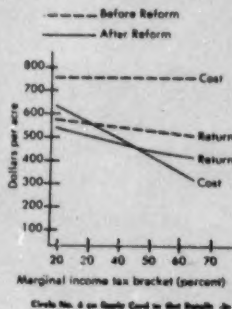
mated subsidy is calculated by subtracting after tax reform profits (returns - cost) from before tax reform.

The impact of the Tax Reform Act of 1969 on orchard development is mixed. For citrus and almonds, not only are tax sheltered investments in establishment established but the tax subsidy formerly available to all developers (farmers and nonfarm investors) has been effectively eliminated. Since the cost of developing citrus and almond orchards is increased, one can expect an immediate decrease in the rate of new plantings, a gradual increase in the value of established groves and orchards, improved prices (compared to what would otherwise exist) of the two crops due to a decreased rate of additions to bearing acreage, and a shift in investor interest to established groves and orchards with the large capital account available for depreciation.

Other rather immediate effects will be decreased demand for citrus and almond seedlings from nurseries and decreased demand for land suitable for developing citrus groves and almond orchards. All of these effects will be centered in present regions of production.

The abolition of tax shelter investments in citrus and almonds will shift investor interest to other crops or to nonagricultural investments. In California, there seems to be increased interest in developing pistachio orchards, walnut orchards and wine grape vineyards as tax shelters.

FIGURE 1 — After Tax Costs and Returns for Developing an Almond Orchard, Before and After Tax Reform, by Marginal Income Tax Bracket of the Developer, San Joaquin Valley, California, 1969.



1608

John Garabedian

3188 HAMILTON ST.
FRESNO, CALIFORNIA 93712
264-8026

April 5, 1972

MAIL ADDRESS
P.O. BOX 788

Honorable Adlai E. Stevenson III, Chairman
Sub-Committee on Migratory Labor
United States Senate
Washington, D. C. 20510

Dear Senator Stevenson:

The enclosed two copies of an article appearing the the April 2nd issue of the Fresno Bee, page C 9, referring to the Divizich, Bank of America, Heggblade Marguleas matter that was brought up before your committee during the Fresno hearing. If you will reread the portion of the transcript of that hearing and familiarize yourself with the results of Mr. Irwin's considered favorable court decision, you might find reason to understand the asserted damage that is done to not only the family farmer, but additionally the migrant work force.

Mr. Garabedian is out of town at the moment but expected back before this week is out. Any questions you may have can be readily answered by telephone or letter upon his return. He felt it important that this information be brought to your attention as soon as possible.

Yours very truly,


Donald Lester

DL/zv
Enclosures

[From the Fresno Bee, Apr. 2, 1972]

TENNECO, B OF A OFFER \$600,000 DELANO GRAPE GROWER SETTLEMENT

Tenneco, Inc. and the Bank of America have offered to settle two multimillion dollar lawsuits filed against them by a Delano grape grower out of court for \$600,000 cash and an option on 260 acres of grapes.

The offer is contained in a petition filed in U.S. Bankruptcy Court by an attorney for grower Peter J. Divizich who has carried on a five year legal battle.

Divizich a 74-year-old Yugoslav immigrant, farmed nearly 6,000 acres before he filed bankruptcy in 1967. The Bank of America later foreclosed on the property and sold it to Heggblade-Marguleas, a fruit and vegetable brokerage firm, which subsequently was purchased by Tenneco, Inc., a Kern County farming giant.

Tenneco's executive vice president, Simon Askin, confirmed the offer in a telegram attached to the petition Thursday. In the telegram he states Tenneco and the bank offer Divizich \$600,000 in cash and "the right to purchase for cash the 260-acre home place for \$392,000 (\$1,500 an acre) and the Ducor cold storage and packing facilities"

Because Divizich is under the jurisdiction of the bankruptcy court in a chapter 11 proceeding, the offer must be rejected or approved by Bankruptcy referee Eckhart Thompson.

If accepted, the offer would wipe out a \$10 million damage suit against Heggblade-Marguleas and the bank, now on appeal. Last December a Fresno Superior Court jury awarded damages of \$400,000 to Divizich with the bank and H-M paying \$200,000 each.

Settlement would also mean Divizich would drop a \$39 million antitrust suit against Tenneco, a Houston-based conglomerate. The antitrust suit has not come to trial.

The petition, filed by attorney William Irwin, asked the court, if it approves the settlement, to appoint a creditors committee to work out payment of \$200,000 in unsecured claims against Divizich. An unsecured claim is one without any posted security such as land.

Irwin also asked the court to approve attorney's fees of \$150,000. Other lawyers involved for Divizich are State Sen. George N. Zenovich, D-Fresno, and Donald Thuesen.

The settlement offer was made at a March 15 meeting between the attorneys and several bank and Tenneco officials, according to a letter filed with the petition.

Divizich originally rejected the offer, making a counter-offer of \$1.5 million cash, the letter states.

The Delano grower, according to the letter wished to continue the fight to obtain an "honorable settlement" and not less than \$2 million cash.

The attorneys cautioned Divizich in the letter signed by Irwin that the length and expense of carrying on the legal battles could jeopardize any settlement especially because Tenneco and the bank "will, in the absence of a settlement now, prolong this litigation just as long as they can . . ."

Feb. 7, 1972

Mr. Boren Chertkov
Migratory Labor Subcommittee
201 Senate Annex
United States Senate
Washington, D.C. 20510

Dear Boren;

While running around the valley checking out Arvin and Dinuba, I ran across this article in the Fresno Bee. The report of the agriculture census obviously conflicts with state figures on the same subject.

Allan Grant of the California Farm Bureau Federation stated, "Recent California Department of Agriculture figures place the number of farms in California today at 56,000, with farms averaging 654 acres in size".

As I recall, Jerry Fielder, made similar, if not identical claims. He even compares the figures of 1960 with those of 1971. (See page 3 of his testimony).

According to the Ag Census, just released, the average size of farms in this state is 456.7 acres, an increase of nine-tenths of an acre of the previous reporting five years earlier. The difference in the figures is somewhat incredible. The US Census shows more than 20,000 more farms and the size of those farms are almost two hundred acres smaller.

Either agribusiness has moved faster than ever before imagined or there is a major discrepancy in the reported figures, by either the State or the federal government. More than likely the situation is that California changed its base or accounting methods. If that is so, then Fielder ought not to compare the figures of 1960 and 1971 as they would not be comparable.

As a suggestion, you might write a letter to both Fielder and Grant asking about the discrepancy and ask for an explanation. Include both the letter and the response in the hearing record.

Certainly there are many implications one could draw if Fielder was misrepresenting the facts. Interestingly enough the Engle formula called for an increase in the size of farms eligible for water from 160 to 640 acres. It seems that the average size of farms

is not what the State might like to have you think it is. Ask Fielder for an explanation of the reported differences.

My testimony is almost finished and will be off to you shortly. I think I've rounded up some interesting information.

My best,

David

David H. Weiman

260 10th Avenue
San Francisco, California 94121

FRESNO BEE January 30, 1972

Fraction Of County's Farms Hold 65 Per Cent Of Land

Although there are 7,539 farms in Fresno County, 170 of them account for more than 65 per cent of the county's total cropland, according to a study by the US Census Bureau.

A similar concentration of cropland ownership is found statewide by the study which shows 2,926 California farms of 2,000 acres or more accounted for 24,925,222 acres or 70 per cent of the state's cropland.

The nationwide study compares farm ownership, sales and expense statistics with 1964.

The number of California farms declined in the 5-year period from 80,852 to 77,875. The average size of a farm in the state increased slightly — 457.8 acres in 1964 to 458.7 acres in 1969.

In Fresno County the number of farms rose from 7,294 to 7,539 in 1969, an increase of just over 2 per cent. During the same period the average size farm decreased from 301.8 acres to 292.8 acres.

The county had 2,208,070

acres of farmland against 2,201,150 in 1964 and the amount of harvested cropland showed a corresponding increase from 993,323 to 997,890, the census shows.

The 170 large-scale operators accounted for 1,436,584 acres or 65 per cent of the total. The number of operators of 2,000 or more acres declined from 182 in 1964 while the number of acres they harvested increased from 1,425,450, according to the report.

The largest number of farmers was in the 10 to 49 acres category, the survey shows, with 3,953 accounting for only 101,467 acres or about 5 per cent of the county's total.

The survey reported 5,228 farms in the county were in individual or family operated and accounted for 1,015,576 acres, about 45 per cent of the county's total.

Partnerships totaled 700 and farmed 513,934 acres. The 162 corporations farming in the county and accounting for 618,231 acres, averaged 3,800 acres.

Of the 162 corporations, family and others, 151 had 10 or fewer shareholders.

The survey reported that average sales per farm rose by about \$1,500 between 1964 and 1969, from \$60,061 to \$61,540. Statewide average expenses per farm climbed from \$67,305 to \$71,710 in 1969.

On farm labor, the Census Bureau said 9,193 farm workers worked for more than 150 days a year while 115,853 worked less than 150 days.

[From the California Farm Bureau Monthly, February 1972]

SENATE LABOR SUBCOMMITTEE SEEKS TO REFORM FARMING

(By Allan Grant, California Farm Bureau president)

U.S. Senator Adlai E. Stevenson of Illinois brought the Senate Subcommittee on Migratory Labor, which he chairs, to California last month for a series of hearings in San Francisco and Fresno. The purpose of the hearings, Stevenson said at the opening session, was to surface the changes taking place in rural America and "to find a national policy whose effect is not simply efficiency or progress or economy of scale, but a decent life for all rural Americans." In other words, the chairman of the Subcommittee of the Senate's Committee on Labor and Public Welfare, has taken it upon himself and his Subcommittee to rewrite policy for the nation's farming areas.

The Senator set the tone of the hearings during his introductory remarks by saying that the nation's rural areas are extremely depressed, with "one and a half million family farmers struggling for survival and a million migrant workers living in poverty." He implied that the root of agriculture's problems lies in the entry of "conglomerates," or non-agricultural corporations, into farming.

With the Senator on an apparent "witchhunt," it was not surprising that the subject matter of the hearings thus centered almost entirely on the evils of large corporations in farming. And it was not surprising that the hearings thus became a platform for advocating land reform—limitation of individual farm holdings to 160 acres, having the government buy up the "excess" acreage over 160 acres and "resell" it to small farmers on government secured loans, etc., etc.

Agriculture today indeed has its problems. And certainly all family farmers who derive their income solely from farming are deeply concerned about non-agricultural corporations using the advantages of tax write-offs and land appreciation for entering farming.

The delegates of the California Farm Bureau Federation at their last annual meeting called for the American Farm Bureau to undertake a study to consider the desirability and feasibility of regulating the entry of huge, non-agricultural organizations into farming. And the delegates of the American Farm Bureau later endorsed this policy. The non-agricultural corporations entering farming are certainly not entitled to greater advantages than afforded family farmers.

160-ACRE FANTASY

However, to believe that the problems of all farmers and farm workers can be resolved and the nation's best interests served by invoking a 160-acre limit in agriculture is pure fantasy.

In testimony submitted to the Senate Subcommittee hearing at Fresno, I pointed out that larger units need not be characterized as the "conglomerate" type of farming enterprise, operating to the detriment of other types of farmers.

Large and small scale farmers, farm workers and rural communities and consumers all have benefited from the pattern of development which California agriculture has experienced over the past twenty years.

The average-size farm in California today is 654 acres. This is not to say each farm is 654 acres; many are smaller, some are larger. However, the trend has been towards larger farming units so the farm operator could afford the use of specialists in the areas of land, labor, capital and management in addition to his own expertise. In each of these areas, larger inputs have become necessary to provide an economic efficiency that other businesses have used for decades.

The farm workers have not been hurt by the expanding size of farm units in this state. On the contrary, they have been helped. Because farmers can spread costs over greater numbers of units, California farmers today pay the highest rate of wages to farm workers anywhere in the nation. Workers have benefited from longer earning periods at one location or multiple locations with relatively

few employer changes. Because of the stabilizing effect the larger units have had, farm workers have become less migratory in this state. They are able to put down roots, and efforts are being made to help them upgrade their housing and general standard of living.

The small farmer has been able to take full advantage of the economic developments over the past twenty years to achieve additional efficiencies in his operation. He has benefited through the formation of cooperative marketing and bargaining associations, improved technology on the farm, the development of custom farming services, the stabilization of the farm labor force, etc.

However, the primary beneficiary of the everchanging pattern of agricultural production in this state and throughout the country has been the consumer. Today's housewife spends approximately 16 percent of her take-home pay for food. Just twenty years ago, she spent 22 percent.

Those who seek to "save the family farm and to expand land ownership in America by enforcing the Reclamation Act of 1902," will harm the very people they profess to want to help. Conditions for family farmers and farm workers will slip backwards, not move forward.

TIMES HAVE CHANGED

The Reclamation Act, which provides that no single-ownership farm of more than 160 acres may receive water from a Federally-financed irrigation project, was based on the earlier 1862 Homestead Act, which allowed settlers to claim and prove up 160 acres. In the nineteenth century, 160 acres was accepted as an adequate, economic sized farm unit. And in the late nineteenth century, 35% of the population was needed on the farms to produce food to feed the nation. One person working on the farm supplied enough farm products for himself and five to six others.

Times have changed, however, and agriculture has changed with the times. Today, through substituting machinery, modern technology and capital for labor, one person in farming can supply himself and 47 other people with food, and less than 5% of the total population is on farms. This release of manpower to other areas of the economy over the years is a basic contributing factor to our existing high standard of living. To revert back to nineteenth century standards in producing this nation's food and have a third of the people farming would certainly downgrade the country's standard of living.

Some sentimentalists, others with little vision and understanding of the future food needs, and still others with little use for the private enterprise system, advocate the 160-acre limitation and return to farming as a way of life. While living and working in the country has its advantages, I would venture to say that the nation as a whole does not place much importance on farming as a way of life. People are most interested in reasonably priced and plentiful food.

In this modern age with its increased costs, reasonably priced and plentiful food will come only from economically sized farming units. The size of the economic unit varies commodity by commodity and thus it is not possible to set an arbitrary figure suitable to all crops.

Mexico, a lesser developed nation than the United States, has recognized that farming units have to be large enough to be profitable and competitive in modern times. In her policy covering Federally-financed water projects, she has set the acreage of single ownership farms which may receive water far above the 160-acre limit being advocated here.

There are better ways to correct the advantages "conglomerates" now find in agriculture than to revert back to an 1862 acreage standard and thus penalize farm operators, farm workers and the consumers of this nation.

While undoubtedly the Senator from Illinois is sincere in seeking ways to help rural America, perhaps he would be of greater service to the nation if he left development of policy for farming areas to the Agriculture Committee and got to work on the enactment of equitable farm-labor relations legislation.

(From the Fresno Bee, January 2, 1972)

The State's Illegal Young Harvesters

By Ron Taylor

Each year untold thousands of children are employed illegally to harvest a dozen or more crops in California's fields, vineyards and orchards.

No one knows the total number. The State Farm Labor Service — now called Rural Manpower Division — does not count children, nor even make an estimate.

The children range in age from toddlers to high school dropouts. Most work and travel with their parents as the families move through the crops, from early spring to late fall.

Their education is sporadic, and largely dependent upon the family finances. When there is no work, there too often is no food in the cupboard.

Malnutrition — not starvation — has been identified by doctors as the seasonal farm workers' no. 1 medical problem. It prepares the way for infections, for respiratory problems; it interferes with the child's growth and education.

The working child's environment is dangerous. Each year 500 school-aged youngsters are injured in California farm accidents; five of them die, according to state reports.

Leo Lopez, chief of California's migrant education programs, estimates 40,000 school-aged youngsters are invisible to all government record-keeping agencies. He presumes the children are working, or baby sitting so their parents can work, or they don't have shoes or clothes for school, or they have simply "dropped out."

State labor law enforcement investigator Seward Young of Fresno estimated that before school began, 30 per cent of the raisin grape harvest work force was younger than 12, the minimum age limit. (That would total 10,500 youngsters.)

After school started, four US Labor Department investigators cited 25 raisin, fig and tomato farm employers in the San Joaquin Valley for working 82 school-aged youngsters. Three were driving tractors in the wine grape harvest.

From the apple harvest in Sonoma County south through the prunes, the

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chili peppers and raisin grapes, this reporter saw 125 children working illegally in four days. Some were carrying 30 to 50-pound loads, most were picking into buckets and baskets on the ground, or were spreading raisin drying trays.

Child labor is found primarily in those crops harvested by the entire family. The pay is usually on a piece-rate system — so much per box or basket. Only one crew that I saw was made up primarily of children. They ranged in age from 6 to 15, were working in the apples for seven cents a bucket, a wage they said they had been earning for many years.

The families come primarily from Texas and Mexico; many have settled somewhere in California and continue to migrate within the state, working crops like tomatoes, wine grapes, onions, strawberries, figs, walnuts, almonds, cherries.

Not all farmers growing such crops — nor all contractors working crews in these crops — employ children illegally. But almost everyone involved believes children, old enough or not, should be allowed to work.

Dan Schneck, Manteca schools attendance officer and vigorous opponent of child labor abuse, says: "Many people are exploiting these young children. It starts with the parents and continues right on with the labor contractor and the farmer."

The child labor laws are a complex intermingling of state and federal labor and education codes. California's child labor laws are the strictest in the nation.

No child under 12 can work on a

farm not owned by his parents. No minor under 18 who is required to attend school shall be allowed to work without a permit. Permits are issued by schools.

During school vacations students 12 years old and up may obtain work permits. Their hours and working conditions are regulated. Hazardous occupations, like tractor driving, are prohibited for those under 18 years old.

There are exceptions: 14- and 15-year-olds are permitted to drive tractors if they have had specific vocational agriculture training. In hardship cases 14- and 15-year-olds can, by special permit, work full time during school hours.

Federal and state minimum wage laws are a tangle of red tape that is all but impossible to understand, administer or enforce. The federal minimum wage is \$1.30 an hour; the state minimum is \$1.05 an hour applies only to women and minors 16 and 17. Complicated exceptions are made for piece rates, sugarbeets fall under an entirely different set of federal regulations.

Where child labor is involved, the families work on a piece-rate system, usually; most families illegally use only one Social Security card and often switch from one card to another to avoid the mandatory deductions after \$150 has been earned.

By pooling a family effort into one payroll account, the farm records show a high rate of pay for a single worker. However, depending upon the crop, the piece rate works out from a low of 30 cents an hour per worker to a high of \$3.

Leans And Earns

Tom Richardson, California Farm Bureau Federation's labor committee secretary, said, "From my knowledge of having worked in the fields, I would suspect that if (child labor) would occur simply because the family brings the kids along."

Richardson said the families work the children because "They want to

teach their children to work while they have them under their control and (they want) to earn money for the family."

Richardson and other farm spokesmen doubt that 30 per cent of the raisin work force is under 12 years old. He also questioned Lopez' 40,000 children figure, saying, "I suspect he used such a number to attract attention."

A 1970 federal Labor Department crackdown in tomato fields harvested by migrant families in Ohio more than confirmed the 30 per cent figure. Of 340 children found working after school had started, 75 were under 10 and another 123 were between 10 and 12.

Whether in Ohio or California, no one officially knows how many chil-

dren are working. They don't show up on payroll records, they don't enroll in schools.

Last spring a Lodi-area truant officer reported finding 12 families with 52 children living in one camp and working the cherries. This fall a Fresno-area migrant education official said a half-day survey of Western Fresno County turned up eight school-aged children in three locations. They were "at home" while their parents worked.

Lower Grades

Migrant-education chief Lopez estimates the special summer and winter programs in all farming areas reach only half the children. "I am sure that there is tremendous misuse of child

labor. The pressure is for the older children (12 to 18 years old) to be out working.

"The problem is tied to the low wages and the entire farm labor system."

Migrant-education programs from Bakersfield north to Sacramento show enrollments are concentrated in the lower grades and that by the time the youngsters are 10 to 12 years old they are beginning to drop out.

"And we are only talking about those migrants who move every year. If we considered those seasonal workers who have settled or those who move every two or three years, the (40,000) number would double or triple," Lopez said.

Next: Working conditions and economics.

[From the Fresno Bee, January 3, 1972]

Accidents Cripple Young Help

By Ron Taylor

This fall a 14-year-old boy suffered a disabling back injury as he illegally drove a tractor pulling a picking machine through a San Joaquin County tomato field.

The grower apparently paid the initial medical expenses. Followup treatment was done through a county health clinic in the federally funded state-owned Harnsey Lane labor camp where the boy lived.

School officials report the boy missed two weeks of classes. The camp director said, "He was pretty sick all the way through. He was having trouble walking and was still having a bad time when they (his family) went back (to Mexico) in November."

The work is dangerous. State re-

ports show farms are "among the more hazardous places to work", ranking third behind construction

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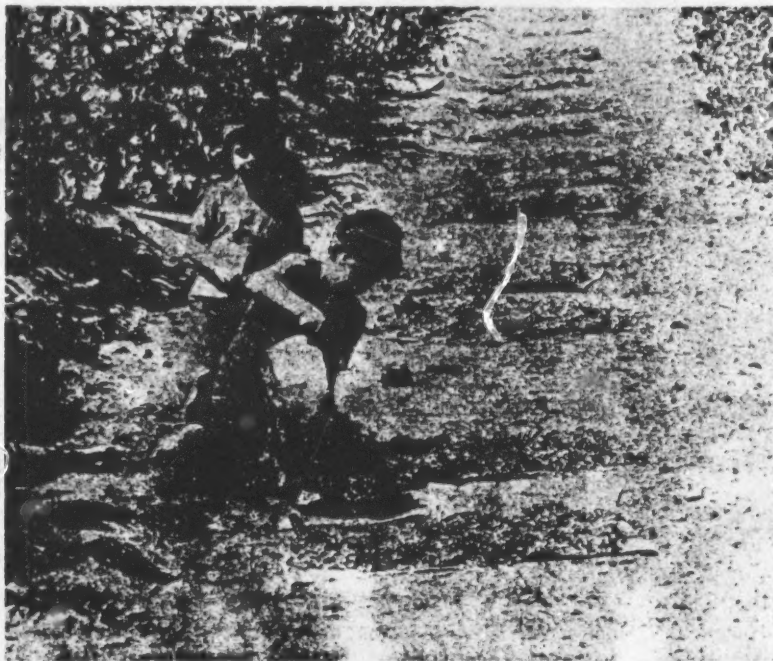
and mining in accidents per thousand workers.

Of the 13,000 farm workers injured

yearly, 500 to 600 are under 17 years old. Sixty to 70 of them break bones, 20 are severely crushed, 10 lose fingers. In 1968 — the last year the state compiled farm youth accidents — the statistical report concluded: "Most of the injuries were either the result of strain or overexertion in handling containers or occurred when youngsters were struck by falling containers."

Because of such hazardous working conditions the federal Fair Labor Standards Act restricts employment of youngsters under 16. They cannot handle or work around pesticides; they cannot flag crop-dusting aircraft;

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Vineyard
Toilers

A 10-year-old boy dumps a 22-pound pan of grapes onto a tray in a Bladern County vineyard while his brother watches. Families use the small workers to pick and spread the

grapes, boosting the family output. While a family of 10 reported earning over \$100 a day, the average hourly wage figured under \$1.

See Photo

Farm: Young Providers Are Tra

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they cannot drive tractors — the list is a long one.

Tractor accidents are a leading contributor to the grim statistics. Why then wasn't the employer of the 14-year-old boy cited for either federal or state law violation? The parents asked officials to do nothing.

The family came from Mexico in April to work under an uncle who was a ranch foreman. The uncle apparently assigned the boy to the tractor. With only five weeks of the season left, the family wanted to earn money, not "make trouble."

This case points out the complex web of socio-economic-governmental circumstance which traps children in a system, a system that deprives them of their health, education and welfare. Neither parent nor employer wants the law enforced.

Throughout the state, wherever family-harvested crops grow, governmental structures bend to accommodate this system. In Fresno County this fall, six school districts delayed the opening of school 1/2 one week to facilitate the harvest of raisins.

a farmer commented: "If they (school-age children working during school hours) happen to be working for us, you know they can get an excuse from the school. I call up the principal and give the names and they give them the week off."

School Too Expensive

A father of 10, a former migrant who has lived in the San Joaquin Valley for years, feels "It is important for the children to go to school. So we pull them out of the grapes when school starts. But when a kid gets to be 15 or so, it is too expensive to keep him in school. He must go out and go to work."

Joe Artesi, manager of San Joaquin County's three state-owned farm labor camps and also chairman of the regional migrant-education advisory board for Madera, Merced, San Joaquin, Stanislaus and Contra Costa Counties, estimates 25 per cent of the school-aged seasonal farm workers are working during harvest seasons instead of going to school.

"We are never going to stop it (illegal school) until they crack down

on the growers for hiring these kids," Artesi said.

Almost all migrant parents and resident seasonal farm workers say they want their children in school, but they point out that food and shelter come first. According to official reports, the average family earnings of seasonal workers is \$2,500 to \$5,000 a year.

Agriculture spokesmen cast doubt on such figures by pointing to the peak income potential. "They can make a killing — \$70 or \$80 a day — easy," is a typical statement. Such figures are family incomes, with several workers contributing. While accurate, they tend to distort the picture.

For example: Raisins are, for 35,000 workers, the last relatively high-paying crop of the season for family labor. One family of nine workers, starting at 5:30 a.m. and going until 6 p.m., reported it laid 1,300 trays a day, earning \$104. That averages \$1 an hour per worker.

The family depended upon the two-or-three-week-long raisin harvest for school clothes, shoes and enough cash reserve to carry the family through the winter when father was

pped In System That Deprives

the only one working. The older youngsters worked some weekends, and occasionally skipped school to earn extra income for the family.

But "high paying" crops like raisins are the exception. In the chili fields, south and west of Fresno, a family of six made \$12 between 6:30 a.m. and 12:30 p.m. when the contractor shut down the field. Others in this and nearby chili fields reported piece-rate earnings which worked out to 40 cents an hour.

In the Sonoma County apple harvest, the pay rate for women and children was seven cents a bucket or \$4 a bin. One woman with two teen-age children said they picked five bins; another mother with an 8- and a 10-year-old to help her said, "Our best day was \$9.82."

Two of the three 10-year-old boys, interviewed in a summer school program, said that their schooling came after the work was over. One was from Los Angeles, and was traveling with his mother and sisters. The other two were members of large Texas families which came into California in the early spring and left in the late

Robert worked the apricots in Salinas and proudly announced, "I have my own plastic bucket, a red one." Gilbert had picked "green" tomatoes, adding "I hated it. All I could make was \$1." Raul was the professional. He had driven tractors, worked a half dozen crops and was leaving shortly for the raisins in Madera.

Carolina is 12, although she has gone to school in Texas and California off and on for six years, she speaks no English. She is bright, serious and unfamily structure.

Understands her allotted role in the large

Her primary job is to care for grandfather. She can go to school when there is no work to be done. Her 14-year-old sister, however, must work full time in the fields to help earn enough income.

The family is from the Rio Grande Valley of Texas; they are trying to buy a small home there, so must pay rent in California and property payments in Texas. When they arrived last spring, there was no work for nearly a month.

The money was soon gone, there was little food left and the children were going to school hungry. They re-

ceived no help from welfare and had to borrow to survive.

Doctors studying such migrant families report malnutrition is their no. 1 medical problem. Dr. Buford Nichols, chief of nutrition and gastroenterology, Texas Childrens Hospital, Houston, feels even low level of malnutrition retard both physical and mental development, to an unknown extent.

He says, "Of the children I have treated here with severe malnutrition, almost all have had a significant reduction in mental development."

Carolina and her family found work chopping cotton. They began to rebuild the family finances. When one employer in another crop ordered 10-year-old Saferino out of the field because he was too young to work, the family changed jobs.

Through the tomatoes, the chilis, the peaches and finally the raisins, they worked hard. In the grapes they could make \$80 a day, but the seven-month season had not been a good one there had been too many days without work, and the father estimated they would return to Texas with only \$500 or less saved.

Next: Law culture and all.

[From the Fresno Bee, January 4, 1972]

Growers, Officials, Parents Ignore 'Protective' Laws For Children

By Ron Taylor

The illegal use of child labor in agriculture is a part of a complex, historical work pattern which ignores minimum wage laws and federal extension of Social Security benefits to farm workers.

Not all agriculture is guilty. But where entire families are recruited to harvest crops at piece rates, there the child labor, minimum wage, Social Security and wage record-keeping laws are likely to be violated.

While the farmer has primary responsibility, he is not always to blame. Some labor contractors cut corners; many families try to avoid deductions from their pay.

The "system" recognizes the family needs every cent it can earn. A farm-

er says, "What's it hurt a kid to pick a few trays?" A judge asks, "If the

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farm worker wants his kids to work, why not let them?"

While the combined federal and state laws establish a strict frame-

work protecting children, as well as adult workers, enforcement efforts are weak and sporadic. Too often one zealous officer finds he must work alone, defying the "system," in his attempt to enforce child-labor laws.

Critical observers say the laws are not enforced because government officials either do not believe in them, fear repercussions or are so tangled in red tape and budget cutting they cannot act.

Two happenings within the administration of Gov. Ronald Reagan added to this criticism. First was a 1968 memo from the Division of Labor Law enforcement to all area supervisors: "The (Reagan) administration is currently interested in enabling

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Ground Crew

These boys, under 14, were part of an all-child crew which cleaned the ground of apples in an orchard near Sebastopol. They were paid seven cents a bucket and could earn \$3 or

\$4 a day by moving fast. The youngsters "struck," asking for eight cents, but the grower yelled and ordered them back to work.

Farm: Protective Laws Are Ignored

Continued from Page A1
youth to seek and obtain employment without restrictive barriers."

The second happening was drastic budget cutting that reduced the labor law enforcement's already short staff by 25 per cent. The number of investigators was dropped from 16 to 12; four more quit as division morale plummeted. This left only two men to check all labor law problems between Kern County and the Oregon border.

25 Employers Cited

Leo Lopez, chief of California's migrant-education programs, believes thousands of children are working instead of going to school because "child labor laws are not being enforced."

Dale Bradeen, San Joaquin County director of migrant education, reported, "The kids are working in the cherries and apples in the spring and living under the trees (with their families) and it is impossible to get these kids in school."

In one month two two-man federal wage-and-hour patrol teams cited 25 farm employers for hiring 82 school-age children during school hours. The children were working in the tomatoes, figs and raisins in Merced, Madera and Fresno Counties last fall.

Frank Valenzuela, former mayor of Watsonville, former state Farm Labor Placement Service representative and once a labor contractor, swore in an affidavit: "It was known that large numbers of growers were hiring entire families unlawfully on one Social Security card."

Chili farmer Joe Leonetti of Fresno, who hires a contractor to recruit and supervise his crews but pays them off himself, was asked if he took down Social Security numbers for every worker, including the children.

He said, "No. No, you just take it

from the father, or who ever does the weighing in. It's usually the father."

Asked about minimum wages — he was paying piece rates — he said, "I understand it is \$1.65, but how are you going to figure that out? I think that is silly, I picked grapes for a cent and a half (a tray) when I was a kid."

The Division of Industrial Welfare checks state minimum-wage laws and payroll record-keeping requirements, among other things. The Division of Labor Law Enforcement within the state labor commissioner's office regulates child labor laws, including work permits, and licenses labor contractors.

DIW has 40 agents who last year warned 2,110 farm employers about field toilet and drinking water violations, wage violations and record-keeping violations. The agents prosecuted a total of 26 cases, but DIW didn't have a record of the dispositions handy.

The same 40 agents police 365,000 employers of women and minors in all industries. Farms make up a small part of the workload.

If entire families are found working on a single Social Security card, a DIW official said "We tell the employer this is illegal and put him on notice that without work permits, the children cannot work."

Two \$50 Fines

While federal Social Security officials report such use of a single card is illegal they are not staffed to do much about the violations. Families will also switch cards before the payroll account reaches \$150, to avoid paying into the federal insurance fund.

Federal and state laws require the employer to keep a payroll record on each worker. Unless graduated from high school workers under 18 years must have a work permit.

Labor-law enforcement investigator Seward Young cited two Fresno-area labor contractors for hiring an estimated 120 children under 12 to pick peppers. One contractor pleaded guilty and was fined \$50 on each of

two counts. The other contractor, Raul Torres, pleaded innocent.

Young, who must police nine San Joaquin Valley counties, found the children still working two days after issuing the citation. It was August, just before the raisin harvest started. Torres argued, "You cannot keep the kids out."

He waved a petition, signed by 75 parents, most of them valley residents, asking that the 12-year-old restriction be repealed. They needed the money the children earned.

Torres also pointed to signs in Spanish and English warning parents not to use children. No one paid attention.

Eight and 9-year-olds hefted 45-pound and 50-pound sacks of chili on their shoulders as did their parents, carrying them to the grader. At \$1 a sack, the families interviewed said they averaged 40 cents an hour.

At his trial, Torres had the sympathy of Judge Mikio Uchiyama, who dismissed the case. In an interview later, the judge explained, "Signs were posted in the field warning against children working. The work was being done by the parents on the piece rate. It was up to the parents to determine whether or not the children work."

The law says otherwise. Section 12270 of the Education Code allows the employer to post notices against child labor to protect himself, but specifically requires him to check those children he sees working to determine if they have work permits.

And Labor Code section 1304 says "Failure to produce permits to work or to employ is prima facie evidence of illegal employment of minors."

Farmer Leonetti feels the laws should be changed. He is angry because state men like Seward Young come around and bother the workers. "They make a big deal out of nothing. These kids are happy out there working . . . It won't hurt them to pick a few peppers, or a few grapes. It's against the law, I realize, but hell, they been doin' it for years."

Next: Conclusion.

[From the Fresno Bee, January 5, 1972]

Child Labor Cases---Token Fines?

By Ron Taylor

Farmer Bruce Burkdoll believes child labor laws should be obeyed; he also believes parents should be allowed to teach their children the value of work.

Burkdoll, who is also president of the Central California Farmers Committee, said only a few of California's

be on guard against child labor violations. He told how he had to threaten to fire one family before they would make their 10-year-old boy stay out of the plum trees.

Talking about the harvest of wine grapes he said he had seen an 11-or

12-year-old driving the tractor pulling a gondola. (Federal labor wage and hour inspectors this season cited three similar cases.)

"This is a real bad thing," Burkdoll said, adding, "They (family) want to get all they can, so they let the kid

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Family members carry peppers they have picked to the grader. They are paid a piece rate. No

child is too small to work by the age of 9 or 11 is expected to carry a full load.

Child Labor: Are Fines Too Lenient?

Continued from Page A1

drive the tractor so they can pick another pan of grapes.

Judge Paul E. Howard of the Firebaugh Justice Court fined an employer \$33 for allowing an 8-year-old to drive a tractor pulling a tomato harvester. The judge agreed such a job is dangerous.

Asked why such a small fine, the judge responded: "Maybe it was because I was driving tractor when I was 8 years old. By the time I was 14 I was operating all kinds of heavy equipment."

Howard went on: "I have a strong belief that 90 per cent of our delinquency is caused by the fact that the state has legislated children out of jobs. Now of course that won't set too good with your story, you are looking at it from the other side."

Judge Floyd W. House of the Riverside Justice Court fined a labor contractor \$65 for employing 37 children under 12 in a garlic field. He said, "At first it sounds like a horrible crime, but the contractor had a very legitimate excuse. Most of these people bring their children with them."

State labor law enforcement investigator Seward Young was the arresting officer in the above cases. He also issued a citation against a crop-dusting firm after a 16-year-old flagger was hit and killed by an airplane at 3:45 a.m.

Deputy Fresno County Dist. Atty. J. H. Vallis sent the citation notice (for working a minor after 10 p.m.) back to Young with the following notation: "Since this is the first known offense, a warning letter should be sent to (name). If there are any future offenses, then we will prosecute."

'License Fee'

The note, the small fines and the dismissal of another case all anger Young. "It makes me feel frustrated. I feel that it is almost better not to go to court. When you get a \$30 fine (for the young boy killed in an ice crusher) or the \$65 fine for 37 little kids working, it's like a license fee for the employer."

Vallis explained why he felt the crop duster should only be warned: "If the kid hadn't been killed, what would have been the procedure? The man would have been warned the boy was employed illegally."

"Ninety per cent of the time they (employers) are not aware of the child labor laws, so one call from the labor commissioner sets the thing straight. Because the child was harmed—a fact I very much regret—they (the labor commissioner's office) wanted a criminal prosecution."

Vallis feels child labor laws were developed to protect children three-quarters of a century ago when "children worked in various hazardous occupations, 12 hours a day with very little sleep, little food, where they were subjected to real dangers every minute of their existence."

"This of course was a long time ago. Thank God we don't have those conditions now, at least not knowingly."

Blames Growers, Parents

Dan Schneck, Manteca schools child welfare and attendance officer, feels thousands of children are being exploited by farm employers.

"What I wish is that they would start nailing a few of these growers," he said. "It is up to the grower to tell the contractor who is allowed in the field and who isn't. If the farmer made this clear there would be no school-aged children in the fields."

Schneck also blames the parents. "And what happens then as these youngsters are exploited at these younger ages? After awhile they don't have too much desire to go to school. They fall so far behind they feel like dummies. By then they are educationally handicapped."

Educational deficiencies and physical dangers are not the only hazards to the child. Probably more insidious are the nutritional problems that develop out of the migrant labor family's poverty.

Most of the Spanish-speaking resident and migrant farm workers in California come from the Rio Grande Valley of Texas or the Mexican states along the Texas and California borders.

Infection Prone

Dr. Harry S. Lipscomb of the Baylor College of Medicine, Dr. Raymond Wheeler of North Carolina and Dr. Ramero Caso of McAllen, Tex., after intensive study and the treatment of thousands of these farm workers, state that the single most important medical problem is malnutrition.

They emphasized they were not talking about chronic starvation, but a pervasive lack of nutritional diet that handicaps the child from birth and

creates conditions which make the child more prone to infections, respiratory problems and bad teeth.

Wheeler told a Senate subcommittee: "The children we saw that day (in the Rio Grande Valley) have no future in our society. Malnutrition since birth has already impaired them physically, mentally and emotionally."

These families come to California where farm work pays better wages and the welfare system is far more liberal. But even here in the San Joaquin Valley, hunger is an observable fact. In the winter, when there is no work one out of five primary-school-aged children in rural poverty areas come to school so hungry the teachers can see the physical discomfort.

Often Texas and Mexican migrant families try to settle in California.

They depend upon work of the entire family to make ends meet, but as more crops are mechanized, their sources of family income diminish.

The Problem Is Money

One Fresno family was interviewed as the contractor shut down the grader and paid off the chili pepper picker. A teenage boy walked up and handed his father the day's receipts. "Here's the bread, pop."

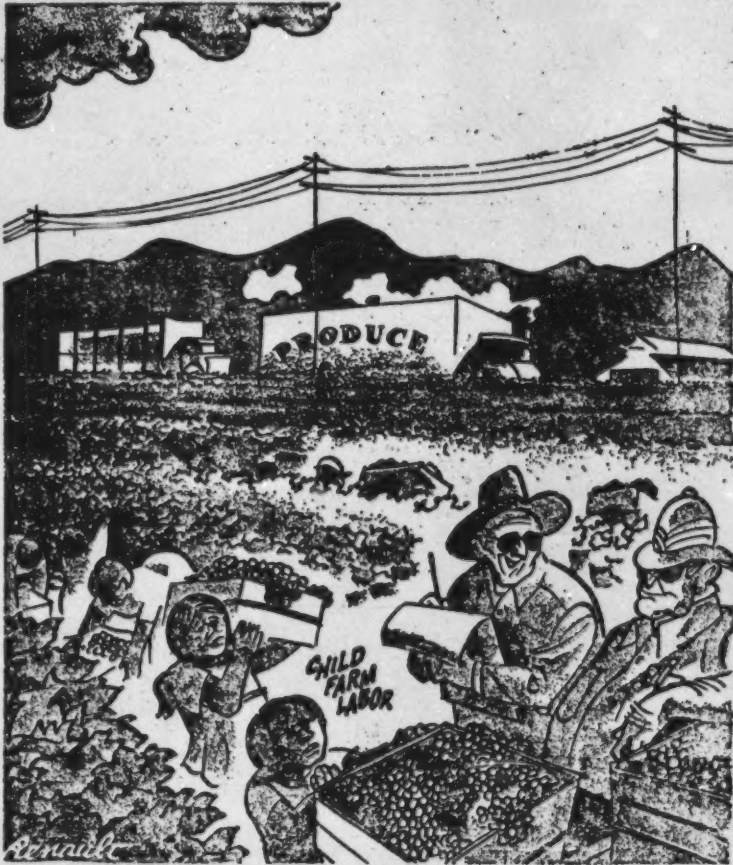
"But there is only \$12 here," the father said, looking surprised, then angry. They had been working since 6:30 a.m. and it was now past noon. "Twelve lousy dollars for us. We are six workers, the youngest here is 11 and he's strong. If we didn't need the money so bad we'd quit."

That is the problem, the immediate, overriding need for money. By any standard, the pay is low, the work sporadic. Annual family incomes — the only measure that reflects the problem — range from \$2,500 to \$5,000. Some make more, some make less.

Most parents recognize the need for "education" but when there is no food in the house, school must wait. When there are not enough shoes, someone stays home. So the children work, and are invisible to official view.

Many employers, judges and civic leaders believe that farm work is good for the child, that it builds character. They often comment, "What's it hurt for a kid to pick a few grapes?"

Because of this viewpoint child labor laws are not enforced with more than token efforts. As a result, thousands of children work on California farms in violation of the law.



'It's Good To See Young Folks Working Within The System.'

[From the San Francisco Chronicle, Mar. 13, 1971]

FLOOD HITS YANKS IN AUSTRALIA—COTTON COUP FALTERS

(By Michael Harris)

A devastating flood in a region of Australia that contains so many Californians it is known as "Little America" has spoiled one of the finest money-making systems ever devised.

The Californians, who own cotton land in both the San Joaquin valley and Australia, collect government money in two ways:

(1) They receive a 15-cent-a-pound payment from the United States government in exchange for an agreement to limit their cotton production in this country.

(2) They then invest the money in Australia—where that government pays them a five-cent-a-pound subsidy to grow cotton in a river valley about 250 miles northwest of Sydney.

"There are a lot of odd things that take place in this world, aren't there?" Rice O'ler, vice president of the J. G. Boswell Co., a far-flung agricultural firm with headquarters in Los Angeles, asked rhetorically during a telephone interview.

\$4.4 MILLION

The Boswell company collected a startling \$4.4 million from the U.S. government last year for limiting the cotton production on 83,000 acres of land in Kings, Tulare and Fresno counties.

A Boswell subsidiary, Auscott, Ltd., owns 10,000 acres of Australian cotton land—or approximately one-seventh of the country's cotton acreage.

Ober said he didn't know what subsidy Auscott received last year. But the Australian government paid out nearly \$4.5 million to encourage cotton production—so with any kind of luck, Auscott's share would have been about \$600,000.

MILLIONAIRES

Some Californians who began moving into the rural lands around Wee Waa and Narrabri ten years ago became millionaires after a couple of harvest seasons.

"The Australian government gave them the land, built a dam so they would have water and put up a cotton gin at no cost to them," said Al Cooper, general manager of the Merced City Chamber of Commerce.

"About five families moved around here to Narrabri."

Paul Kahl, who formerly lived in Plainsburg, a town ten miles southeast of Merced, is now chairman of the Northwest Cotton Growers Association in Australia. Some of Kahl's relatives meanwhile, run the family farm in California.

SURPLUS

The American subsidy program has accomplished its desired purpose of cutting back a cotton surplus that had reached 16 million bales in American warehouses six years ago. Farmers who agree to cut their cotton acreage by 30 per cent then collected a 15-cents-a-pound government payment on all the cotton they can grow on the rest of their land.

Five California growers received \$1 million or more in subsidy payments in 1970. In 1969, the last year for which complete figures are available, a total of 3751 farmers in 36 California counties received a total of \$93.6 million for limiting their production of cotton and other price-supported crops.

But the Australian program worked even better.

Australia used to be a regular buyer of American cotton. Last year, however, it produced enough cotton to meet its own needs and export 25,000 bales besides—mostly to Japan, the Philippines and Hong Kong.

These countries, in turn, used the Australian fiber to produce low-priced cotton goods—some of which were exported to the United States at prices low enough to take away a substantial part of the market from American mills.

ADVANTAGE

"It has been of an advantage of us," Edward J. Gaffey, trade commissioner in the Australian Consulate General in San Francisco, observed mildly.

The proof that nothing is ever quite perfect came last month when the Namoi river flooded through the Australian cotton fields about ten weeks before harvest time, causing five deaths and more than \$100 million in damage.

Narrabri was in such bad shape that Royal Australian Air Force planes and helicopters had to take 40 tons of food and medicine to the community. Two hundred cotton workers and 36 children were taken by air from Wee Waa.

"As far as we can tell, there was no loss of life in our operations," Ober said. "We lost about 40 per cent of our crop, and in some other areas the loss was 70 per cent."

FINISH

With Australian cotton production now well established—in spite of this year's flood—that government plans to phase out its subsidy program this June.

And with a \$55,000 limit fixed on subsidies to American farmers, Ober said the J. G. Boswell Co. plans to stay out of the subsidy program this year and plant nearly all 83,000 of its acres.

A number of other large growers have candidly acknowledged they plan to break up their holdings into separate corporations—each eligible for the \$55,000 subsidy payment.

"They can try it," J. T. Moody, program specialist in production adjustment, said at the U.S. Department of Agriculture's Berkeley office.

"But they are going to be audited to beat hell by the Office of the Inspector General."

Senator STEVENSON. Thank you. I note for the record that again today in Fresno, as yesterday in San Francisco, that our hearing room has been literally packed with hundreds of citizens interested in the problems under investigation by this subcommittee. I want to express my appreciation to those of you who have stayed with us today, many standing for the full 9 hours of hearings, and to those officials located in this building who have made these facilities available and helped with the arrangements. Thank you again.

(Whereupon, at 4:30 p.m., the hearing recessed to reconvene at 9 a.m., Thursday, January 13, 1972.)

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